

049239

JPRS-CRF-85-027

31 DECEMBER 1985

China Report

RED FLAG

No. 22, 16 NOVEMBER 1985

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

DTIC QUALITY INSPECTED 2

19991221 109



FOREIGN BROADCAST INFORMATION SERVICE

Reproduced From
Best Available Copy

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

5
94
A05

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

31 December 1985

CHINA REPORT
RED FLAG

No. 22, 16 November 1985

Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

CONTENTS

Do a Good Job of Education in the Situation and Policies (p 2).....	1
Thoroughly Understand and Implement the Guidelines of the National Conference of Party Delegates and Effectively Rectify Party Style (pp 3-7) (Bo Yibo).....	3
The Four Basic Principles Are the Basis of All Policies (pp 8-12) (RED FLAG commentator).....	12
Bring Into Full Play the Functions of Banks in Controlling and Regulating the Macroeconomy (pp 13-17) (Chen Muhua).....	21
How Is the Monetary Lever To Be Applied in Exercising Effective Macro Control? (pp 18-21) (Zhou Taihe, Zhan Wu).....	31
Meticulously Organize Our 'Work' in the Reform of the Educational System (pp 22-25) (Hong Dongchang).....	40
Vivid and Convincing Education in Communist Ideology-- Enlightenment From the Report Teams of PLA Heroes and Models (pp 26-30) (Zhou Keyu).....	48
The Tremendous Strength of Ideals (pp 31-33) (Zhang Haifeng).....	56

Music Should Raise People's Spiritual Level (pp 34-36) (Zheng Bonong).....	61
Some Understanding on Methods of Leadership (pp 37-40) (Cui Naifu).....	66
A Tentative Discussion on the Transformation and Inheritance of Ideas (pp 39-41) (Liu Chunjian, Yuan Xunzhong).....	71
A Tentative Talk on Reform and Profit-Making (p 42) (Jiang Yuanming).....	75
Why Is It Necessary To Expand the Scope of Regulation by the Market Mechanism in the Rural Areas? (pp 43-44) (Ding Shengjun).....	77
Why Do We Say That State Commerce Participation in Regulation by the Market Mechanism Is an Important Feature of Planned Commodity Economy? (pp 44-45) (Wang Dianwu).....	80
Why Is It Necessary in the Management of Enterprises To Move Toward Mainly Using Indirect Controls? (pp 46-47) (Yi Jie).....	82
Spiritual Products Should Be Beneficial to the Building of Spiritual Civilization (p 47) (Jiao Xuedai).....	85
A Call for Abundance and Civilization--Reading 'A Record of Sangshuping' (p 48) (Qi Liwu).....	87
A Good Book Publicizing the Theory of Party Building (inside back cover) (Zhang Hanru).....	89

DO A GOOD JOB OF EDUCATION IN THE SITUATION AND POLICIES

Beijing RED FLAG in Chinese No 22, 16 Nov 85 p 2

["Forum"]

[Text] Recently, the principal responsible comrades of some provincial (municipal) CPC committees have had "dialogues" in various forms with college students, answered their questions, exchanged ideas and views with them, and achieved good results. This practice is a vigorous measure to strengthen and improve our ideological and political work and also an effective way to practice socialist democracy and strengthen the ties between the cadres and masses. We should encourage this practice, extend it to our work among the staff, workers, and residents, and turn it into a set practice in our leadership work.

For a variety of reasons, many people's understanding lags behind reality. Since the 3d Plenary Session of the 11th CPC Central Committee, we have made an all-round major readjustment in our domestic and foreign policies and have scored very great achievements in our reform and four modernizations. However, as our ideological and political work has failed to catch up, some of the masses of people, particularly some youths, lack an understanding of our country's basic situation and policies. They lack a correct understanding about the tremendously fine situation of opening up to the outside world and reform and about the difficulties and problems that inevitably emerge in the process of progress. They have failed to make an all-round analysis of the essentials and nonessentials of party style and the general mood of society and the large amount of work that our party has done in the past few years in order to strive to bring about a radical turn for the better in our party work style and the general mood of society. They even have a distorted view of the reality due to hearsay. Therefore, it is imperative to carry out education in the situation and policies among our cadres, staff, workers, and intellectuals in the light of the spirit of the National Conference of Party Delegates.

"A lamp cannot shine brightly without snuffing; and an argument is not clear without reasoning." We should enable people to have a relatively all-round understanding of the objective situation through education in the situation and policies. At the same time we should learn some basic methods of thinking to observe the situation and correctly understand the relations between

nonessentials and essentials, between parts and whole, between immediate and long-term interests, and between the interests of the individual, the collective, and the state. Our country's socialist cause is a great cause of 1 billion people. It makes progress daily and many moving advanced deeds occur daily. Our party is open and aboveboard, and faithfully represents the interests of the people. Its line, principles, and policies are correct and most of its members and cadres share weal and woe with the masses of people and lead the masses in forging ahead. In assessing the situation and party work style, we should not ignore these basic facts. At present, there is indeed a dark side to our party work style and the general mood of society, but after all this dark side is not the essential of our party and society and is being continuously negated and overcome. These unfair and unreasonable phenomena are hard to avoid during the process of the transition from the old to the new system. As our reform develops in full and deepens, we have been doing our best to reduce the scope and shorten the duration of these malpractices. In observing the situation, we should expand our field of vision, grasp the essentials, and see the decisive factors that play a long-term role in the situation, the people's interests, and the future of our motherland. We should not allow our vision to be blinded by nonessentials and thus fail to see the essentials.

Through education in the situation and policies, we should make people realize what the greatest interests and desires of the people in our country are and that consolidating and developing the political situation of stability and unity is one of the most important and basic conditions for the reform and four modernizations. All the comrades in our party and the people throughout our country should safeguard the political situation of stability and unity as they protect their eyes. Some people know the importance and value of a thing often only when they have lost it. For example, during the 10 years of turmoil, how people longed for a political situation of stability and unity in which workers could focus on doing their work well, peasants could focus on their farming work, and students could focus on their studies! This was hard to get at that time. Through the struggle of the whole party and the people all over the country, we have obtained this situation of stability and unity, but some people do not know that they should treasure this hard-earned and very valuable situation and opportunity. This is why we should heighten their understanding.

We should make people understand the reform better through education in the situation and policies. The reform is aimed at making our country prosperous, and our people rich and happy, but it takes time to attain this aim and it is impossible to solve all the problems at one stroke. The process of the reform cannot be as straight as Changan Street in Beijing. "Everybody is responsible for the success or failure of the reform." All our staff, workers, cadres, and intellectuals, and all our youths are the masters of our country and society. None of them should be onlookers of the reform, but they should all adopt an attitude of being masters toward the reform, and be concerned with, support and plunge into it. If they all adopt this basic attitude, it will be relatively easy to solve all the concrete problems of understanding.

/6091
CSO: 4004/23

THOROUGHLY UNDERSTAND AND IMPLEMENT THE GUIDELINES OF THE NATIONAL CONFERENCE
OF PARTY DELEGATES AND EFFECTIVELY RECTIFY PARTY STYLE

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 3-7

[Article by Bo Yibo; capitalized passages published in boldface]

[Text]

I

The recent National Conference of Party Delegates has underscored certain highly important general guidelines of how to build a strong party, improve party leadership, and improve the party's fighting capability so as to provide a powerful political guarantee for the smooth development of the four modernizations and the restructuring of the economic system. Whether or not these important guidelines can be thoroughly understood and grasped is of vital importance for all comrades in our party in our struggle for greater unity in thinking and actions to achieve the great plans. Here, I would like to express my own views on this question.

THE CONFERENCE UNDERScoreD THE IMPORTANCE OF THE SUCCESSION OF MIDDLE-AGED AND YOUNG CADRES AND THE IMPORTANCE OF EMULATING THE OLD COMRADES' HEROIC SPIRIT OF ADHERING TO THE COURSE OF REVOLUTIONARY STRUGGLE IN SUCCEEDING FROM THE OLD.

This guiding thought was set forth by Comrade Deng Xiaoping in his speech at the conference. He said: "As for cadres, "younger age and professional knowledge alone are not enough. To this must be added fine work style. I hope you will serve the people wholeheartedly, go among the masses, and listen to their opinions; dare to speak the truth and oppose falsehood, refrain from seeking undeserved fame, and perform more actual deeds; make a clear distinction between public and private interests and refrain from seeking personal favor at the expense of principle; and appoint people on their merits rather than by favoritism."

With these weighty remarks having profound implications, Comrade Deng Xiaoping has expressed what he expects not just from middle-aged and young cadres, but from all of us, including veteran comrades. In short, as far as succession is concerned, it is of utmost importance that middle-aged and young cadres take over and carry forward the revolutionary spirit of the veteran cadres and comrades and the fine traditions and work style

formed and developed by the party in the course of more than 50 years of revolutionary work. The succession issue should not be considered simply as a succession of new personnel from the old, or a handing over of authority. This is an important guiding thought that we must always adhere to in selecting and appointing middle-aged and young cadres and in making the leading groups younger in average age. This time, in selecting the new CPC Central Committee members and making the CPC Central Committee younger in average age, we have done a good job of carrying out and embodying this guiding thought.

Is it true that in party rectification we must further rectify the leading groups at various levels in light of party ideology, style, discipline, and organization? While looking for young cadres, we must pay attention not only to their age and knowledge, but, above all, to their thinking, work style, and state of mind. These must be examined earnestly and repeatedly. We must guard against the tendency to pay attention only to age and knowledge, otherwise we will abandon what is most important and fundamental and violate the principle of having both morality and knowledge. If that is done the question of reshuffling the leading groups will not be correctly settled. If that happens, the following will most probably emerge: After the reorganization, the leading groups will become younger and more knowledgeable, but the ideology and style of the leaders will not necessarily become correct and fine. If such a situation appears in a department or a unit, it means that the reorganization of the leading group in that department or unit had failed and the way in which the reorganization was carried out was not correct. Party committees at various levels must fully understand this question.

THE CONFERENCE UNDERSCORED THE NEED TO ALWAYS UPHOLD THE FOUR CARDINAL PRINCIPLES IN THE COURSE OF REFORM AND THE FOUR MODERNIZATIONS.

The four cardinal principles are the groundwork of our nation, the guiding principles for our construction, and the political foundation on which people of all nationalities in our country fight in unity. Is this right? I think it is right to say so, and we should understand the four cardinal principles in this way. In the past, when the "leftist" wrong ideology prevailed in our country, the four cardinal principles were seriously distorted. After the 3d Plenary Session of the 11th CPC Central Committee, we began to bring order out of chaos and correct the "leftist" mistakes in order to carry out radical reforms, restore the four cardinal principles, adhere to them and the Marxist general and specific policies formulated under the guidance of the four principles, and successfully push forward with our country's socialist construction. We remember that soon after the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping insisted that all comrades of our party adhere to the four cardinal principles at the theoretical work meeting. Since then, he has repeatedly stressed this point.

At the National Conference of Party Delegates, Comrade Deng Xiaoping pointed out: "The purpose of the succession of middle-aged and young cadres is to organizationally guarantee the continuity of our party's policies. What is

the continuity of our party's policies? It means that we will not change our foreign and domestic policies, such as the policy of maintaining independence and keeping the initiative in our own hands, the policy of having a democratic and legal system, the policy of opening up to the world, the policy of invigorating the domestic economy, and so on. The four cardinal principles form the basis of all these policies, so we will not change them or hesitate to implement them. If our policies are constantly changing, our society will become a mess. There will be no stability and unity in our country. Economic construction and reform and the development of China will become empty words." These remarks are sincere. With these remarks, Comrade Deng Xiaoping once again warned all the comrades of our party, especially leading comrades at various levels. We should firmly grasp these remarks, not consider them "old remarks," and not turn a deaf ear to them. Repetition of "old remarks" serves a purpose, for this is a fundamental question concerning the overall situation in our party and country and the future development of our socialist cause.

During the 7 years between the 3d Plenary Session of the 11th CPC Central Committee and the 5th Plenary Session of the 12th CPC Central Committee, our party and state underwent significant readjustments in internal and external policies and formulated and adopted a series of important policies that reflect educational, scientific, and cultural spheres. It is the implementation of these policies that has guaranteed the smooth development of our building of the four modernizations, enabled the situation in our country to become better and better, and made the present period one of the best and most important periods in our country since the founding of the PRC. All of these important policies, which are based on the four cardinal principles, are specific applications and expressions of these principles in various quarters. Without the guidance of these principles, our policies would not have been possible. Likewise, without the guidance of these principles, policies could not possibly have been implemented correctly. In other words, they would have deviated in the course of implementation. In short, without adhering to the four cardinal principles, it would be impossible to maintain continuity of all Marxist policies, which are based on these principles. At all times and under all circumstances throughout the historical stage of socialism, we must firmly and unequivocally uphold the four cardinal principles until communism has been achieved. Naturally, these cardinal principles must be closely integrated with the practice and activities of the revolution and construction in progress. They must be applied and developed in the course of implementation. Without development, there can be no adherence.

It must be stressed that a great majority of our party members and cadres uphold the four cardinal principles, have strong faith in these principles, and have never wavered under both good and difficult circumstances. However, it must also be acknowledged that under the new historical circumstances, there are indeed some party members and cadres who no longer have firm convictions about the cardinal principles. Some have wavered, while a very few have even openly opposed the cardinal principles. For example, some party members and cadres admire and worship the Western "democracy," "freedom" and life style. They consciously or unconsciously publicize the

bourgeois liberal ideology. Thus, we must persist in carrying out education on the four cardinal principles, and the fundamental theories of Marxism among the people, beginning with party members and cadres. Only by so doing can we correct muddled ideas, overcome erroneous thinking, and ensure that our party members, cadres, and people will advance along the right course.

THE CONFERENCE underscored the importance of building a socialist spiritual civilization and of strengthening ideological and political work under the new historical circumstances.

Before the National Conference of Party Delegates was held, in his speech delivered at the Central Party School, Comrade Hu Yaobang said: "It won't do if we only talk about professional work and do not talk about political and ideological work!" "And the central task or the core of our political and ideological work is to mobilize the entire party and the broad masses of the workers, peasants, and intellectuals to work hard and contribute to the prosperity of our country and the well-being of our people." Based on the proposal for the Seventh 5-Year Plan and the speeches of the five Standing Committee members of the Political Bureau, the conference underlined the need to vigorously strengthen the building of a socialist spiritual civilization and the need to reinforce ideological-political work. It pointed to the direction, tasks, guidelines, and methods for dealing with this issue.

How does our party exercise leadership? The answer is: It exercises leadership by means of formulating and implementing the party line, principles, and policies, vigorously carrying out ideological and political work, undertaking energetic propaganda and organizational work, and fulfilling an exemplary vanguard role for all party members, party cadres, and the masses. In order to exercise and strengthen the party's leadership over state affairs and society, none of these basic measures and channels can be dispensed with. Relaxing and weakening ideological and political work means relaxing and weakening a very important aspect of the party's leadership. This would seriously hamper the party's exercise of overall leadership. From this perspective, we must understand the vital importance of strengthening ideological and political work and consider its important role in the party's overall work.

Since the 3d Plenary Session of the 11th CPC Central Committee, we have begun to eliminate the "leftist" influence prevalent in ideological and political work and among the people engaged in this work in the course of setting things right. This is entirely necessary. However, we must not think that because we must correct the "leftist" influence in ideological-political work, we can afford to dispense with ideological-political work or go to the extreme of despising and even negating it. In eliminating the "leftist" influence, we seek to correctly uphold and develop ideological-political work, improve its contents and methods, and enhance its power. There is no intent to relax, weaken, or abandon the work. Any thought of despising and weakening ideological-political work is wrong.

While vigorously building socialist material civilization, we must greatly strengthen the building of socialist spiritual civilization. The two civilizations must be grasped simultaneously. That is a very important guiding principle put forward at the 12th CPC National Congress. Speaking at the National Conference of Party Delegates, Comrade Deng Xiaoping said: "The question of building a socialist spiritual civilization was raised long ago. The central and regional authorities and the Army have done a lot of work. In particular, a large number of advanced persons have emerged from among the masses, and this has had a very good influence. However, considering the country as a whole, we must admit that, so far, the results of our work have not been very satisfactory, namely because it has not had the serious attention of the entire party membership. We exert ourselves for socialism not only because socialism provides conditions for faster development of the forces of production than capitalism, but because only socialism can eliminate the greediness, corruption, and injustice that are inherent in capitalism and other exploiting systems. Production has gone up in recent years. But the pernicious influence of capitalism and feudalism has not been reduced to a minimum. Instead, some evil trends that had been extinct since liberation have come to life. If we fail again to make a quick, decisive change in this situation, how can the superiority of socialism be brought into full play? How can we fully, effectively educate our people, especially the younger generations? Our work to build a material civilization will be adversely affected and will travel a tortuous path if we do not promote the building of a spiritual civilization. We can never succeed in revolution and construction if we rely on material conditions alone. In the past, however small or weak our party was and whatever difficulties it faced, we always maintained a great fighting capability because of our faith in Marxism and communism. With common ideals, we have strict discipline. Now, as in the past and in the future, this is our strength."

These remarks expound on a number of questions, principles and axioms. First, the remarks provide a basic evaluation of the work of building spiritual civilization over the past years. Second, they clearly point out that the development of a socialist spiritual civilization is an inevitable requirement inherent in the socialist system itself. Without the building of a spiritual civilization, it will be impossible to bring the superiority of socialism into full play. Third, they explain the relationship between the building of the two civilizations, underlining the fact that unless the building of spiritual civilization is strengthened, the work of building material civilization cannot proceed smoothly and will deviate from the correct orientation. Finally, they state clearly that the spiritual condition of faith in the ideals of Marxism and communism is the real strength of our party in surmounting all difficulties and winning victories in revolution and construction. This is a truth verified throughout the party's entire history. At no time should we forget this truth. Otherwise, we will have the erroneous tendency to ignore or underrate the importance of building spiritual civilization. In building spiritual civilization, we should bear firmly in mind these principles and axioms, restudying them from time to time.

At the Sixth Plenary Session of the Central Discipline Inspection Commission, Comrade Chen Yun pointed out: "Socialist construction comprises building the socialist material civilization and socialist spiritual civilization. These two cannot be separated from one another. The socialist cause is not to build a pure material civilization or a pure spiritual civilization. Moreover, in carrying out the socialist cause, it is impossible to build material civilization first while leaving the work of building spiritual civilization for later." This also expounds on the relationship between the building of the two civilizations according to fundamental Marxist theories and principles and states clearly that the socialist cause is one marked by the simultaneous building and development of the two civilizations. Otherwise, it is not comprehensive and cannot be called a complete socialist cause. The essence and axiom of this agree with Comrade Deng Xiaoping's remarks cited above. We should also bear this firmly in mind and restudy it from time to time.

To sum up, the building of spiritual civilization and ideological and political work take care of the people's ideological consciousness, ideals, faith, political orientation, and mental state. They have a direct influence on their enthusiasm, initiative, and creativity in participating in national construction and on their work orientation and the road they are going to take. For this reason, we cannot do without the building of spiritual civilization and ideological and political work for a single moment in our endeavor to develop the socialist economy, promote our material civilization, and bring about the all-round progress of our society.

We must do as the comrades of the Standing Committee of the CPC Central Committee have stressed, so as to greatly strengthen and never weaken the work of building a socialist spiritual civilization and carrying out ideological-political work. First of all, we must overcome any ideological tendency to despise ideological-political work and the work of building spiritual civilization. Once our ideological consciousness has been raised, we should take concrete actions. In strengthening ideological-political work and the work of building spiritual civilization, we must vigorously carry out education in ideals, discipline, situation, policies, and the four cardinal principles.

Only by carrying out education on these questions can the broad masses of party members and cadres and the broad masses of people become more capable of resisting the erosion of various decadent ideologies and the influence of bourgeois liberal ideology. Only thus can they become more courageous in fighting against the various malpractices that are harmful to the interests of the people and various corrupt phenomena which are harmful to the general mood of the society, so as to fundamentally improve the party style and general mood of the society and guarantee the smooth progress of the reform and the cause of building the four modernizations.

All units, regardless of whether they have completed party rectification, must seriously study and understand the important guidelines underscored at the conference and resolutely follow these guidelines while carrying out their party rectification tasks, consolidating and developing what has been

achieved during the party rectification and conducting day-to-day affairs in party ideology, work style, discipline, and organizational construction so that the important guidelines may truly develop into a powerful force guiding our party rectification and building to success.

II

The four basic tasks of party rectification--unifying ideology, rectifying style, strengthening discipline, and purifying organization--are an inter-related entity and must be accomplished simultaneously. Of course, in accomplishing these tasks the various units involved in party rectification can work according to their respective situations and can concentrate their efforts on a certain aspect. The development of party rectification shows that we still need to strongly stress rectifying party style and successfully carrying out this task. This was the task underlined by the conference.

Fundamentally improvising the party style is a heavy task for us. Rectifying the party style is vital to accomplishing the entire task of party rectification, guaranteeing and pushing forward with reform and the construction of the four modernizations. Without a good party style, a lofty ideal and a strict discipline, a devoted spirit of serving the people heart and soul, but with a corrupt style of seeking private interests by using powers and positions, using public office for private gain and practicing bureaucracy, our party will lose its real strength and become unable to accomplish its historical task, thus disappointing the people. The true nature of the question of party style is the question concerning fundamental relations between the party and the people.

So the question of party style is a question concerning the life and death of our ruling party. The 12th party congress proposed to fundamentally improve the party style and general mood of our society within 5 years. If we fail to lay a good, solid foundation for a fundamental improvement in our party style and the general mood of society in the 3 years of party rectification, the specific work of our party rectification will have been done poorly. Now, party rectification has been carried out for almost 2 years and there is not much time left for us. Party committees at various levels must pay great attention to this question.

Rectifying party style means relying on the efforts of the entire party. It requires all party members to exercise their supervisory roles. Above all, leading party cadres at all levels, especially high-ranking cadres and veteran party members and cadres, including those who have retired or left their positions or retired to the second front, should set examples, for as far as rectifying party style is concerned all party members should be included. It is necessary to commend in a big way outstanding party members and cadres who dedicate themselves wholeheartedly to serving the people and do not hesitate to sacrifice their individual interests. We must publicize their advanced deeds and ideas. It is necessary to resolutely expose and combat corrupt phenomena that undermine party style and social atmosphere. If we persist in commending the good, punishing the bad,

upholding justice, straightening out malpractices, and work along both lines, there is a strong likelihood that we can fundamentally improve our party style.

While the work of rectifying party style is to be carried out in party organizations at all levels and among all party members, emphasis should be on leading organs and cadres at the county level and above. We must first rectify the work style of leading organs and cadres and, according to the actual situation, resolutely deal with instances of bureaucracy and seeking private interests by making use of power and position among leading organs and cadres. We must deal seriously with those people who try to shield one another or bend the law for the benefit of relatives or friends during the process of investigating and straightening our malpractices. Why should the emphasis be placed on leading organs and cadres at the county level and above? The reasons are obvious: One is that there is indeed a question of unhealthy practices among some leading organs and cadres. There are also cases of serious violation of discipline and law. Because they exercise overall leadership and supervision of work in an area or department, such malpractices can result in greater harm. Another reason is that the masses are watching our leading organs and cadres to see whether they can truly set examples and take the lead in rectifying unhealthy practices. If we fail to first seriously resolve the question of unhealthy practices among leading organs and leading cadres and make them examples for the grassroots party organizations and the masses inside and outside the party, it is likely that unhealthy trends and evil practices will spread because "those in subordinate positions will follow the examples of their superiors."

At present, in some areas, the malpractices are very serious. Some people who have committed serious crimes are protected by people at various levels. Is it enough to punish the criminals only? The broad masses of the people are indignant when they see violations of discipline and law, with cadres shielding one another and bending the law for the benefit of relatives or friends. Is this problem so serious as to warrant the attention of party committees at various levels? Comrade Chen Yun said: "If there are cadres who turn a blind eye or take a laissez-faire attitude toward the unhealthy tendencies that are harmful to socialist construction, party style, and social atmosphere, we must punish the individual cadres and investigate and affix responsibility on the party committee, even on the party commission for discipline inspection of that unit and that area." Here, I would like to add that the leading organ of party rectification in that unit and that area should be included.

In a word, rectifying party style is an important task of the present party rectification and a major event in our party construction. We must mobilize the entire party membership to participate in it and pool the wisdom and efforts of all the party members. Prefectures and counties that are presently engaged in party rectification should do their work well. Units that have completed party rectification should continue to strengthen their work. The Hunan Provincial CPC Committee and some other areas have proposed to "review" the work of party rectification. I think this is a good idea because we should not think that once party rectification work is over, everything is all right. What should we "review"? We should mainly "review"

whether the party style is correct or not and whether unhealthy tendencies have been checked or not. We should see whether the people or instances of serious violation of discipline and law have been dealt with or not, whether the work there conforms with party discipline or national law, whether the masses are satisfied or not, and whether there are any problems that need to be solved resolutely and immediately.

We must further strengthen the leadership of party rectification. A party should manage its affairs. This is an important principle that must be strictly followed and enforced in the work of party committees at all levels. In addition, implementation of this principle should be regularly checked and studied. Failure of a party committee to manage party affairs constitutes a serious and fundamental dereliction of duty. For a long time, this question was not resolved satisfactorily in our inner-party life. Now, leading comrades of party committees in some areas and departments are not paying attention to the work of party rectification and not strengthening the leadership of party rectification. What does this mean? It means the party committee has failed to manage its affairs. This is an old defect! We must correctly deal with the relationship between party rectification and reform of the economic structure, preventing them from becoming "two skins."

Some people think that party rectification, especially the move to straighten out malpractices, has affected and obstructed our reform and economic work. This view is absolutely wrong and groundless. If we cannot succeed in the work of party rectification and the work of straightening out malpractices, reform and the practice of invigorating the economy will not be able to create a good political or social environment. Instead, we will probably deviate from the correct orientation, being restricted, twisted, and destroyed by various kinds of so-called "countermeasures." As a result, some people will violate laws and discipline under the pretext of carrying out "reform." In the course of party rectification, we must seriously resolve questions in our inner-party life, especially the prominent questions of party style and discipline, vigorously strengthen ideological-political work, and push forward the party's ideology, work style, and organizational construction.

/6091
CSO: 4004/23

THE FOUR BASIC PRINCIPLES ARE THE BASIS OF ALL POLICIES

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 8-12

[RED FLAG commentator's article]

[Text] Now the whole party is studying the documents of the National Conference of Party Delegates. The documents can be divided into two parts: One is the proposal for the Seventh 5-Year Plan and the decisions about personnel appointments and the other is comprised of the speeches by five members of the Central Political Bureau Standing Committee. The documents mention and solve some major issues that have a bearing on the overall interests of the party and the state. They represent the requirements of history and the aspirations of the people, and they are of far-reaching guiding significance for the work of the whole party and the whole country in all fields. We should, through seriously studying these documents, further unify the thoughts and actions of the whole party, persevere in reforms, promote the steady and well coordinated development of the national economy, strengthen the building of spiritual civilization, bring about a fundamental turn for the better in the party style and public conduct, and close our ranks to consolidate and develop the present good situation and to unfold bright prospects for our cause.

In the 7 years since the 3d Plenary Session of the 11th CPC Central Committee, we have mainly accomplished two things: One is to terminate the disorderly situation and set things right; the other is to carry out overall reforms. We have smoothly fulfilled these two tasks and have made great achievements. This has brought about great and positive changes in our country. Not only have the people in our country clearly seen this, but the international community has also recognized this. In his speech at the conference, Comrade Deng Xiaoping pointed out: "Since the 3d Plenary Session of the 11th CPC Central Committee, the party has shifted the focus of all its work to the drive for socialist modernization and has concentrated on developing the productive forces on the basis of adhering to the four basic principles. That was the most important thing we did for setting things right. The good situation we have today would not have come about if we had not thoroughly corrected the 'leftist' mistakes and shifted the focus of our work. At the same time, if we had not conscientiously adhered to the four basic principles, we would not have been able to maintain political stability and unity, and we would even have gone from correcting 'leftist'

mistakes to 'correcting' socialism and Marxism-Leninism. And then the good situation we have today would not have come about either." Comrade Deng Xiaoping also pointed out: "We often say that the succession of new cadres to the old provides the organizational guarantee for the continuity of our party's policies. What does this continuity actually mean? It means, of course, the continuity of the domestic and foreign policies of independence, democracy, legality, opening to the outside world, and invigorating the domestic economy, which we will by no means change. And all these policies are based on the four basic principles. There is even less possibility of our changing or deviating from these principles. If we did, our society would be plunged into chaos; stability and unity would be out of the question; and the construction, reform, and rejuvenation of China would all become no more than empty talk." These two passages of Comrade Deng Xiaoping's speech represent the guidelines for our work in all fields since the 3d Plenary Session of the 11th CPC Central Committee. They are the key to the understanding of the rich content of the documents of the National Conference of Party Delegates. We should seriously study them and should reflect on them again and again. By grasping this key point, we will be able to have a good command of the spirit of these documents.

These two passages concisely sum up the relationship between our present domestic and foreign policies and the four basic principles. The four basic principles are an integrated and inseparable guideline that determines the nature and future of our country. They are the crystallization of the experience of the international communist movement and of the revolution and construction in China, and represent the combination of the universal truth of Marxism and China's concrete practice. The four basic principles are always the guideline and premise for all domestic and foreign policies formulated and implemented by our party.

Adhering to the socialist road is the basic orientation for us to follow in formulating and executing every policy. The 3d Plenary Session of the 11th CPC Central Committee has already defined the central task as developing the productive forces and realizing the four modernizations. Therefore, it is necessary to carry out various reforms in the light of the reality in China. The four modernizations construction of ours is the four modernizations construction of socialism; and our every reform is the perfection and development by ourselves under the system of socialism. As far as the economic reform is concerned, implementing the policy of opening up to the outside world and invigorating the domestic economy is for the sake of developing the social productive forces, improving the people's livelihood, fully bringing into play the superiority of the socialist system, and eventually realizing communism. Comrade Deng Xiaoping pointed out that: "We must let our people, including our children, know that our upholding socialism and communism and the policies we have adopted are all for the development of socialism and the realization of communism in the future." The CPC Central Committee has repeatedly reminded the whole party that the policy of opening up to the outside world and invigorating the domestic economy is being carried out by us under the two fundamental principles of adhering to the socialist economy with public ownership being the principal part, and seeking common prosperity. The absorption of foreign capital,

technology, and management experiences, and the setting up of jointly owned enterprises, jointly run enterprises, and independently owned enterprises are regarded as a kind of beneficial and necessary supplement to the development of the socialist economy. Of course, during this process the invasion of decadent capitalist ideology and work style is unavoidable, and we must stay sober-minded and maintain a sharp watch in this regard.

Upholding the people's democratic dictatorship is our guarantee in formulating and carrying out various policies. To uphold the people's democratic dictatorship, we must develop socialist democracy and perfect the socialist legal system. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has done a lot of work in these two aspects and corrected the previous mistakes. Socialist democracy is not capitalist democracy nor individualistic democracy but a democracy for the majority of people. It can be separated neither from dictatorship over our enemies nor from centralism based on democracy. We have already rectified the mistake of broadening the scope of class struggle and believe that the socialist system will not produce a capitalist class or other exploiting classes. In the meantime, we have also pointed out that although the exploiting classes have been destroyed, class struggles have not yet died out. They will still exist over a long period of time within a given scope, and will possibly become acute under certain conditions. In order to develop socialist democracy, we must adhere to the dictatorial function of a people's democratic dictatorship state and crack down on serious criminal activities jeopardizing socialism in the spheres of the economy, politics, and culture. We should not abstractly talk about democracy in violation of the four basic principles and pursue capitalist liberalization. Pursuing capitalist liberalization in our country is equal to following the capitalist road, which will inevitably do great damage to the political situation of stability and unity and the four modernizations program.

We cannot formulate and carry out any policies without the leadership of the Communist Party. Upholding the leadership of the Communist Party is a result of the development of contemporary history in China and a demand for its further development. It was the Communist Party that led the Chinese people in winning national independence and people's liberation; and it is also the Communist Party that is blazing a trail for a large country with a population of 1 billion to build socialism in the light of its national condition. In China, without the Communist Party, there can be no socialism nor the four modernizations of socialism. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has resolutely corrected its previous mistakes, reaffirmed its ideological, political, and organizational lines integrating Marxism with the reality in China, worked out a series of correct principles and policies to guide a comprehensive reform and carried out fruitful works in various fields, causing this flourishing situation to arise in our country. Without the leadership of the party, all this would be unimaginable. Upholding the leadership of the party includes improving the leadership of the party, which has a rich content in this regard. Restoring and perfecting the party's democratic centralism, persevering in collective leadership, carrying out party rectification, adopting the formation of echelons to promote cooperation between and replacement of new and

old cadres, and so on can all make our party stronger and more vigorous and energetic. Although at present many problems in connection with the party's work style still exist and how to strengthen the building of the ruling party itself remains an issue to be actively studied and resolved, nevertheless, the efforts made by the party in these aspects over the last few years and its achievements can be seen by the people. Weakening or even abolishing the leadership of the party under whatever excuses all go against the demand of historical development and are intolerable to the 1 billion people.

Marxism-Leninism-Mao Zedong Thought is our guide to formulating and implementing various policies. In taking the socialist road, practicing people's democratic dictatorship, and exercising Communist Party leadership, it is necessary to adhere to Marxism-Leninism-Mao Zedong Thought. The nucleus of Marxism is communism. The purpose of our long struggle of past years was to realize communism. In every difficult period during our struggle in the past, we always took the ideal of communism as our spiritual prop. Having the ideal of communism and iron discipline was, is, and will always be our real superiority. Without the ideal of communism and communist morality it would have been impossible for us to score victory or to carry out socialist construction. The development of socialism is not merely an economic process, and the superiority of socialism does not manifest itself merely in the economic field. Socialist spiritual civilization will enable the people to have ideals, morality, culture, and discipline. This is an important part of adhering to Marxism. The theoretical basis of Marxism-Leninism-Mao Zedong Thought is dialectical materialism and historical materialism. We should seek truth from facts and combine Marxism with the specific conditions of China. This, as Comrade Deng Xiaoping said, is our most fundamental experience and principle. Rural reform, economic structural reform focusing on the urban economy, invigorating the domestic economy, opening up to the world, and the concept of "one country, two systems" have been suggested according to this principle. In other words, we should not be confined to individual phrases and conclusions in the works of Marx but should adhere to the essence of Marxism and thoroughly and accurately apply the basic principles and methods of Marxism to studying and solving new problems in practice. In practice, we should carry our socialist and communist cause forward and constantly enrich and develop Marxism.

Since the 3d Plenary Session of the 11th CPC Central Committee, the CPC Central Committee has held firm to the four basic principles in formulating, enriching, and developing various domestic and foreign policies. Our policies are consistent and in agreement with each other. With the implementation of these correct policies, we have made great achievements in various fields. As a result, the political situation of stability and unity is becoming more consolidated, the national economy is developing steadily and in a coordinated manner, and the living standards of the people are improving.

Of course, we do not mean that we do not have any problems in implementing, propagating, and understanding the party's policies. Mistakes sometimes

occur on different occasions, as some comrades do not have a clear understanding of the relationship between various policies and the four basic principles. People often say that ideological and political work is divorced from practical work. How has such a situation emerged? On the other hand, some of the comrades engaged in practical work do not take the four basic principles as their guide to implementing policies, or in other words, they cannot consciously and regularly consider how to guarantee the implementation of the four basic principles by putting various specific policies into effect. In most cases, they forget that their professional work should cater to and serve the party's general line and general policy and is based on the four basic principles. On the other hand, some of the comrades engaged in ideological, political, and theoretical propaganda work cannot effectively explain why various specific policies are based on the four basic principles and how the implementation of various specific policies should manifest and guarantee the implementation of the four basic principles. They do not combine propaganda work with practical work but just talk about empty theory in isolation from the four basic principles. As a result, instead of being closely combined with, the propagation of the four basic principles is divorced from the implementation of various current policies. This situation should be changed.

Some comrades may probably say that all internal and external policies are based on the four basic principles. By implementing the policies, we have naturally adhered to the four basic principles. Why, then, is it necessary to stress the relations between the two? The problem is how to ensure the correct implementation of our policies. Because the policies adopted by our party in all fields are the outcome of the combination of the four basic principles and the concrete practice of current historical conditions and also because the implementation of the policies is the specific manifestation of adherence to the four basic principles and we will fail to correctly implement the policies if we violate the four basic principles, it is essential for our cadres to profoundly understand and bear in mind that all our policies are formulated on the basic premise of the four basic principles. Only in this way can they have a unified and comprehensive understanding of the party's policies and realize their internal relationship. While implementing a certain policy, they will not forget or violate another policy. Only in this way can they know the hows and whys of the party's policies and enhance their awareness and resoluteness in implementing the policies. In addition, they will not waver either "left" or right when other factors intervene, or distort the policies in the course of implementation, or go too far, or be overcautious. Consequently, they will be able to avoid one-sidedness and mistakes as much as possible. Only in this way can we correctly understand the measures taken by our party to complement, revise, enrich, and develop the policies in the course of the changing conditions and realize their changes and grounds as well as their basic relations and continuity. While explaining the relations between the general line and general policy on the one hand, and specific lines for work and specific policies on the other hand during the period of the democratic revolution, Comrade Mao Zedong made a brilliant exposition: "Our party has laid down the general line and general policy of the Chinese revolution as well as various specific lines for work and specific policies. However, while many

comrades remember our party's specific lines for work and specific policies, they often forget its general line and general policy. If we actually forget the party's general line and general policy, then we shall be blind, half-baked, muddle-headed revolutionaries, and when we carry out a specific line for work and specific policy, we shall lose our bearings and vacillate now to the left and now to the right, and the work will suffer." ("Selected Works of Mao Zedong," Vol 4, p 1259) The truth implied in this passage is applicable to our current understanding of the relations between specific policies and the party's general line and tasks. It can also enlighten us on understanding the relations between implementing the policies and adhering to the four basic principles.

In order to solve the question of "paying lip service" to practical work and ideological and political work, we must rely on the concerted efforts of the comrades engaged in practical work and those engaged in ideological and political work. Nevertheless, the comrades engaged in ideological and political work should undertake greater responsibilities and make strenuous efforts. We often say that political work is the lifeblood of all economic work and that ideological and political work guarantees the accomplishment of economic and technological work. This means that the implementation of the four basic principles in economic work should be ensured by conducting ideological and political work, thus ensuring the correct orientation of the economic work, keeping it from going astray, and attaining due results. In order to achieve this objective, we cannot merely make vague publicity on the four basic principles. We must organically combine the rich content of the four basic principles with the economic work and integrate publicity on the four basic principles with the implementation of the policies by all departments and units so that they can become a mighty spiritual force and the norm for the cadres and masses to distinguish right from wrong. Only in this way can we embody the four basic principles in all economic work and not lose our bearings in understanding and handling the problems in economic work under the new situation of opening up to the outside world and enlivening the domestic economy and in the process of the increasingly complicated struggles. Moreover, our ideological and political work will not be divorced from reality and will truly play the role of "lifeblood" and "guarantee." Naturally, it is impossible for ideological and political work and theoretical propaganda work to answer all problems arising from economic work.

How should the handling of economic relations meet the requirements of the four basic principles? This question must be discussed and explained while publicizing the combination of the four basic principles and the implementation of policies. For example, the relations between reforming the rigid pattern of the economic system and adhering to the socialist orientation, the relations between the predominance of the public ownership system and using foreign capital and developing some individual economy in a planned manner, the relations between common prosperity and encouraging some regions and people to get better off first, the relations between the planned economy and market regulation, the relations between macrocontrol and microflexibility, the relations between state, collective, and individual interests in distribution, the relations between developing the commodity

economy and preventing commodity exchange from invading inner-party political life, and so forth. Theoretical propaganda work should study and answer new questions arising from the handling of these economic relations, while ideological and political work should ensure that the handling of these relations is subordinate to the general requirement of adhering to the four basic principles.

There is a kind of misunderstanding of the relationship between upholding the four basic principles and the implementation of policies. It seems as if we are opposing the rightist tendency when we talk about upholding the four basic principles and we are opposing the "leftist" tendency when we talk about implementing the existing policies. This view is not correct. When our party puts forward the necessity of upholding the four basic principles, it opposes both "leftist" and rightist tendencies. Just imagine: If we do not set things right, do not correct the "leftist" mistake of "taking class struggle as the key link," and do not put forward that the fundamental task of socialism is to develop social productive forces, how can we really uphold the four basic principles? Of course, if we do not oppose the rightist tendency and do not oppose bourgeois liberalization, we cannot uphold the four basic principles either. In the course of upholding the four basic principles, there will be both "leftist" interference and rightist interference. Likewise, there will also be "leftist" or rightist interference in implementing domestic and foreign policies. This, in essence, is also interference with the upholding of the four basic principles. This is because the implementation of domestic and foreign policies and the upholding of the four basic principles are closely linked together and are in unison. The decision of the CPC Central Committee concerning party rectification has made this point very clear: "Seeking unity in thought is to achieve the ideological and political unity of the whole party at a higher level and to correct all 'leftist' and rightist erroneous tendencies that go against the four basic principles and the party's line since the 3d Plenary Session of the 11th CPC Central Committee."

In his talk "Concerning the Question of Opposing Erroneous Ideological Tendencies" given in 1981, Comrade Deng Xiaoping said: "It is necessary to strengthen propaganda and education on upholding the four basic principles and to write more articles in this respect. It is necessary to criticize 'leftist' erroneous thinking and to criticize rightist erroneous thinking as well." "In emancipating our minds, it is also necessary to oppose both 'leftist' and rightist tendencies." "Comrade Huang Kecheng said that we should oppose the 'leftist' tendency if it appears and should also oppose the rightist tendency if it appears. I agree with his view. We should make a concrete analysis of what is 'leftist' and what is rightist." ("Selected Works of Deng Xiaoping," p 334) These views of Comrade Deng Xiaoping remain entirely correct today. At present, the "leftist" erroneous tendency actually still exists. For example, some people think that the policy of opening to the outside world and enlivening the domestic economy is "to develop capitalism." On the other hand, the rightist erroneous tendency also actually exists. For example, some people cannot resist the influence of decadent bourgeois ideas and are propagating bourgeois liberalization. Although these two tendencies appear in different forms,

both have departed from the four basic principles and the party's principles and policies. They sometimes even combine and work in concert with one another or change from one to the other. "Leftist" mistakes often provide a pretext for the rightist tendency to attack and oppose the upholding of the four basic principles and the correct policies and vice versa. In implementing policies, if we only pay attention to guarding against and opposing the "leftist" tendency and do not pay attention to guarding against and opposing the rightist tendency, we are wrong. In propagating the four basic principles, if we only pay attention to guarding against and opposing the rightist tendency and pay no attention to guarding against and opposing the "leftist" tendency, we are also wrong. As to when and in what aspect we should guard against and oppose the "leftist" or the rightist tendency, we must give due consideration to facts and make a concrete analysis of concrete problems. We should not exaggerate questions that are neither related to the "leftist" nor the rightist tendency. Nor should we oppose the rightist tendency with the "leftist" tendency or vice versa. Only by unswervingly upholding the four basic principles and correctly implementing the party's various policies on this basis can we really and effectively guard against and overcome both the "leftist" and the rightist erroneous tendencies.

The proposal on the formulation of the Seventh 5-Year Plan and the decision on the partial readjustment of the members in the leading organs of the CPC Central Committee that were approved by the National Conference of Party Delegates and the speeches of the five members of the CPC Central Committee Political Bureau Standing Committee all fully embody the close integration of the four basic principles with the practice in our country. In studying the documents of the National Conference of Party Delegates, we should first satisfactorily understand this spirit. Substituting new cadres for old ones in our cadre ranks is aimed at providing an organizational guarantee for the continuity of our party's policies. The foundation of this continuity is the four basic principles and this continuity precisely means the implementation of the various current policies on this basis. We should select and promote middle-aged and young cadres as successors in accordance with the principle of the "four transformations." The most important of the "four transformations" is revolutionization. How are we to judge whether one is revolutionized? We mainly judge by people's actual deeds and look into the question of whether one is able to adhere to the four basic principles in implementing the party's various policies. This first shows the morality of the cadre, and at the same time it also shows the cadre's competence, in other words, it shows whether a cadre is able to integrate the four basic principles with the implementation of various policies. To be a successor should not mean to take a certain post or to obtain a certain power for a person as an individual. Comrade Deng Xiaoping said: "For our middle-aged and young cadres, the most important thing for them to do in becoming successors to the revolution is to take over the old comrades' heroic spirit of adhering to the orientation of the revolutionary struggle." Only by satisfactorily solving this problem can we really guarantee the continuity of our party's policies. Our old comrades should continue to take the lead in adhering to the four basic principles and should show concern for and satisfactorily improve our party work style. As Comrade Chen Yun said well:

"In regard to a party member's role in setting examples by his own deeds, being concerned for party work style and discipline, and conducting supervision, there has never been a question of withdrawing to the second line and retirement. As long as a party member is alive, he is always in the first line."

The proposal on the formulation of the Seventh 5-Year Plan is a programmatic document. It embodies the general demand of the four basic principles and the construction of socialism with Chinese characteristics. The guiding principle for the Seventh 5-Year Plan is to put reform in the first place. Along what orientation should we carry out our reform? The CPC Central Committee has clearly pointed out: We should do so with a socialist orientation. Our economic structural reform is a socialist economic structural reform. All our reforms are aimed at building socialism with Chinese characteristics and should conform to the two fundamental principles of maintaining the dominant position of the socialist publicly owned economy and becoming rich together. In studying the proposal for the Seventh 5-Year Plan, we should also first conscientiously understand this spirit.

The four basic principles are the principles that we must always adhere to until achieving communism. Not only now, but also in the future, we should regard the four basic principles as the basis and guidance in formulating and implementing our policies. Of course, as practice continues to develop and the objective situation continues to change, we must continuously study the new situation, sum up new experience and solve new problems. On the one hand, in formulating and implementing a certain policy, we should adhere to the four basic principles in the light of the actual problems in certain fields and certain periods of time and in the light of the practical experience gained in solving these problems. This will enable us to continue to forge ahead along the correct orientation in doing all our work. On the other hand, in the process of our practice, we will check, supplement and revise various policies and thus continue to enrich and develop the contents of our four basic principles. Our party has been doing precisely that since the 3d Plenary Session of the 11th CPC Central Committee and will continue to do that. It will always forge ahead along the road of building socialism with Chinese characteristics until the realization of communism.

/6091
CSO: 4004/23

BRING INTO FULL PLAY THE FUNCTIONS OF BANKS IN CONTROLLING AND REGULATING THE MACROECONOMY

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 13-17

[Article by Chen Muhua [7115 1970 5478]]

[Text] Our socialist economy is a planned commodity economy. It requires a conscientious application of the economic levers such as credit, prices, and taxation to control and regulate our national economy. The CPC Central Committee's proposal on the formulation of the Seventh 5-Year Plan points out that as the central bank, the People's Bank of China is one of the most important institutes of macro regulation. Therefore, its position and functions will become increasingly prominent as our planned commodity economy develops.

I

Banks are an outcome of the commodity and currency economy. In a socialist commodity economy, through their branches that are scattered all over our country and through their business activities such as the provision of credit and loans, the settling of accounts and the paying out and taking in of cash, our banks can link, in the form of value, the economic activities of all sectors and units of our national economy and thus regulate and control the movement of social reproduction. These are the most important functions of our socialist banks. However, for a relatively long time in the past, as we failed to admit that our socialist economy was a planned commodity economy, under the highly centralized planned management system, we mainly relied on the planning and financial channels to distribute our funds and failed to give play to our banks' role in controlling and regulating the macroeconomy. As a result, our banks in the main only perform the accounting and cashier's functions.

Since the 3d Plenary Session of the 11th CPC Central Committee, as our economic structural reform makes progress, we are also reforming our funds management system. The percentage of the funds concentrated and redistributed by our financial departments has comparatively declined; while that of the funds concentrated and redistributed by our banks has comparatively risen. Since our bank's function in raising and redistributing funds was enlarged, its capability in controlling and regulating the total volume of social funds

and guiding the direction of investment of funds has correspondingly increased. In 1983, the State Council decided to establish the system of the central bank; therefore, the People's Bank of China began to be specialized in performing the functions of the central bank. It has begun to refrain from concurrently doing the business of providing industrial and commercial credit and taking deposits in order to strengthen its centralized management over and its work to strike a comprehensive balance of credit funds and thus better serve macroeconomic policy decisions. The People's Bank of China has established authoritative councils as policy decision-making organs. The central bank mainly adopts economic methods to control specialized banks and other banking institutions. All the specialized banks and other banking institutions must implement the decisions of the People's Bank and its councils. All their receipts and supplies of credit must be taken into account in the state's credit plan, which cannot be implemented until it is examined and approved by the People's Bank. These economic and administrative means ensure that the central bank fully performs its functions of macro control and regulation.

The work to define the functions of the People's Bank of China as a central bank and to stipulate its concrete duties of office is a new task that is necessary for our economic structural reform, and our work to open up to the outside world and enliven the economy at home, and a new task that history has assigned us. As it is a new task, it is necessary for us to study anew and to strive to heighten our ideological level and professional competence in order to meet the new demand.

First, we should heighten our awareness and widen our field of vision.

The bank's work is to serve the development of the national economy. Only by starting from our economy, considering the work of our bank in the light of our economy, and then considering the work related to our economy in the light of our banks can our banks' field of vision be widened, can we enlarge the sphere of service of our banks, and can we open increasingly broad prospects for the banks' work. If we know nothing about our economy, if we make no study of the characteristics and the laws that govern the activities of the planned commodity economy in our country that is established on the foundation of the socialist public ownership, and if we give consideration only to the operation of our bank and credit work, it will be impossible for us to correctly intervene with and regulate our economy or to give actual play to our bank's role. Comrade Deng Xiaoping pointed out: Our banks should grasp our economy, but they are now only keeping accounts and operating as accountants and thus fail to really play their role as banks. He also pointed out that we had to turn our banks into the levers for the development of our economy and the renovation of our technology and we must make our banks really function as banks. Comrade Deng Xiaoping's words pithily expound on the relations between our banks and economy, and clearly point out the direction for the development of our banks' work. When we are studying the method to solve the problems related to currency and credit, we must start from studying our economy, finding the causes in our economy, and adopt measures related to credit to facilitate the solution of economic problems. By so doing, we will be able to radically solve our problems.

related to credit. This conforms to the principle of economy determining credit while credit positively counteracting on the economy. In fact, our banks have been provided with these conditions. Through their activities related to funds, our banks can become informed of and grasp the situation and problems related to the development of our national economy. In accordance with the state's policy decisions on the development of the economy, our banks can affect the production and circulation through tightening and relaxing the control over money and credit supply, raising or reducing interest rates, and applying the means of administration, management, and supervision assigned by the state, and thus regulate and control our economy. In order to do this work well, our banks must strengthen their work of economic forecasting and conscientiously take part in the work of making economic forecasts by the various sectors of our national economy.

Second, we should control our macroeconomy and enliven our microeconomy.

Controlling and enlivening are in unity. The economic structural reform is aimed at enlivening our national economy, while strengthening macro control is aimed at preventing disorder in the process of enlivening and thus ensuring the healthy development of our national economy. There is a one-sided view now. As soon as control is mentioned, those who hold this view worry that people may accuse them of failing to support the enlivening of our economy or the development of our economy. In fact, if we uphold enlivening only and reject any control, in the end there will be chaos and we will not be able to attain the aim of enlivening our economy. In our economic structural reform and economic development, the more our microeconomy is enlivened and the more developed our commodity economy, the greater the needs to strengthen our macro control. We should exercise a control both in terms of actual things and in terms of value. There are tens of thousands of kinds of materials and goods in our society which can all be reflected by value. Therefore, it is relatively simple and easy to control in terms of value. Our banks, as pivots of the movement of funds in our society and as the chief accounting office of social funds, concentrate and distribute increasingly large amounts of funds in their hands particularly after the beginning of the economic structural reform; therefore strengthening monetary control has become increasingly important. Our banks should first do a good job of exercising the control related to themselves, control the total volume of currency, control the total volume of credit and the composition of loans, and control the payments and the reserve of foreign exchange. At the same time they should also proceed from the angle of the society in strengthening financial supervision, enforcing the state's financial and economic discipline and resist and correct the unhealthy practice.

In exercising monetary control, we should first satisfactorily handle the relationship between parts and whole. The credit funds of our banks are used under the centralized and unified arrangement of the whole country and redistributed and supplied in the scope of the whole country. The power over the issuance of currency is centralized by the central authorities. We should prevent the malpractice of localities and departments proceeding

from their own interests, depriving the central authorities of their financial resources by excessive borrowing from the credit funds and thus forcing the state to increase the volume of the currency it issues. At the same time, we should also overcome the idea and practice of regarding the credit funds allocated to an area as fixed and unchangeable or untransferable, and thus being unwilling to have the funds redistributed or transferred for fear of suffering losses. All the above are practices that proceed from local interests, that interfere with the unified policies and arrangement, and that are harmful to the overall situation. We should take the stand of the state, proceed from the situation of the whole country, satisfactorily handle the relations between the interests of the state, collective, and individual in the spheres of currency and credit, and combine the interests of parts with those of the whole and immediate interests with long-term ones.

As we have to both control our macroeconomy and enliven our microeconomy, our tasks are indeed very arduous. This requires us to earnestly proceed from reality, seek truth from facts, and refrain from practicing formalism, seeking uniformity or trying to finish our work at one stroke. The measures that we formulate to exercise the control should be comprehensive and perfect. In carrying out these measures, we should be resolute, but also be prudent, grope our way carefully and be sure to win.

II

At the beginning of this year, we were faced with a grim situation in our economic construction and economic structural reform. This was mainly because in the latter half of 1984, in particular in the fourth quarter, we failed to properly handle the relationship between enlivening and control and thus committed some errors in the work of our banks. In addition, the unhealthy practice in some departments and areas also contributed to giving rise to the excessive growth of credit and issuance of currency in 1984. From an economic point of view, this was a phenomenon caused by the over-distribution of our national income in the form of currency and by the excessive growth of total social demand in excess of the total social supply. Originally, the scale of capital construction arranged by our plans was very large. This was aggravated by the capital construction not included in the plans and the capital construction by our township and town enterprises and by collectives and individual traders. As a result, the materials and goods needed by the capital construction greatly exceeded the total supply that our country was able to provide. There was, therefore, a serious shortage of raw and processed materials, energy and communications and transport facilities. The excessive imports of raw and processed materials and other commodities had an evil impact on the foreign exchange reserve of our state. In the sphere of consumption funds, some units and individuals invented excuses at will to pay wages and bonuses excessively and this caused the growth of our consumption funds to exceed the level of development of our production. Judging by the work of our banks themselves, as we failed to exercise an effective planned control or to have an all-round monetary policy, as we failed to strictly impose our discipline and regulations, and in addition, as there was the unhealthy practice such as "exploiting one's power of lending to seek one's private ends," an abnormal phenomenon of "four banks scrambling to provide loans" emerged.

The problems of credit growing out of control and excessive injection of currency in 1984, undoubtedly, have yielded some unfavorable impact on the economic construction and economic structural reform at present. To counter this, the State Council requires us to strengthen our macro control, reduce the supply of money, unify our credit plans, and readjust our monetary policies in order to intensify the functions of the People's Bank of China in controlling and regulating our macroeconomy. In accordance with the State Council's requirement, since this year, our bank has strived to carry out its work, scored some achievements, and gained some experience.

First, we have resolutely controlled the volume of credit for our township and town enterprises within the planned target. As we readjust the composition of our rural undertakings, our township and town enterprises have developed vigorously. In particular, in the areas around our cities where the per capita area of land is relatively small, a large number of rural laborers have left the farming undertaking without leaving their homeland and set up many township and town enterprises that are mainly engaged in manufacturing industry. However, in the process of developing township and town enterprises, some areas have failed to do enough planning or to give sufficient guidance; therefore, there has been certain blindness in their actions. Even some small blast furnaces, small diesel engine generators, small fertilizer plants, small machine-building plants that are of backward technology, consume excessive energy and have poor economic results, and some processing enterprises that produce poor-quality and unmarketable products have again been established. In last March and April, the volume of credit provided for our township and town enterprises exceeded the planned target for the whole year by 16 percent. The central bank acted in accordance with the instruction of the State Council, made a decision promptly, resolutely demanded a reduction in the volume of credit for our township and town enterprises, and promptly collected the loans due and the loans that were provided in excess of the planned target. By the end of last July, we had already controlled the total volume of credit within the target for the year. In controlling the loans that have been provided to township and town enterprises in excess of the planned targets, we have paid attention to dealing with each case on its merits; focused on supporting the development of small hydroelectric power stations, small coal mines, and the processing enterprises that produce products for exports or products for which there is an urgent demand in our domestic market, and that have good economic results; and reduced the loans for the enterprises that had poor economic results, consumed excessive energy, and were of backward technology. We required the various areas to be sure to make satisfactory feasibility study and draw up comprehensive plans in developing their township and town enterprises, and to mainly use their own funds and refrain from using or use less bank loans.

Second, we should strive to overcome the trend of the fierce increase of consumption funds. During the first 3 months of this year, under the influence of the inertia last year, the consumption funds continued to increase very quickly. Our bank adopted the method of "strict control first and then flexible readjustment." It required a strict control over the consumption funds below the level of that in March and then made proper arrangement in the light of the reality in various areas, such as the

requirement of the seasonal development of production. At the same time, the State Planning Commission, the Ministry of Labor and Personnel, and the Ministry of Finance drew up, in the light of the requirements of the wage reform, the plan for the total amounts of wages for various areas and departments, issued these plans level by level downward and told our banks to supervise the payment of the wages. Generally speaking, this method has scored marked achievements.

Third, we should conscientiously redistribute our funds to ensure satisfaction of the needs of the spring plowing and the purchases of summer agricultural and sideline products. After our bank reduced money supply, some areas reflected that they lack the funds to purchase agricultural and sideline products. One important cause for this was the excessively quick development of the township and town enterprises. Some areas spent what they had collected from their commercial loans and the funds allocated for the purchases in developing their township and town enterprises and thus used up the funds that were originally allocated for the purchases of agricultural and sideline products. In order to overcome the temporary difficulty in the circulation of funds, the central bank performed its functions in raising and redistributing funds, made short-term redistribution to overcome the shortage of funds for the purchases and thus ensured the needs of the summer harvest. However, judging by the situation of funds in the whole year, in the latter half of this year, there was still a very serious shortage of purchase funds. The major way out to overcome the shortage of funds is to conscientiously have our specialized banks attract deposits, speed up the withdrawal of currency by the sales of commodities, quicken the collection of loans, increase our means of credit, improve the method of settling accounts, and thus promptly collect cash and put it in our banks. Now 70 percent of our currency is in our rural areas; therefore, there is great potential to tap in withdrawing currency from circulation in our rural areas. Our agricultural banks and credit cooperatives should play their role to the full and vigorously attract deposits.

Fourth, we have readjusted our interest rates, helped attract more deposits, and restricted loans. On last 1 April and 1 August, we twice readjusted our interest rates for bank deposits. When we made the second readjustment, we also raised the interest rate on the loans for investment in fixed assets. This is aimed at accumulating more funds, restricting the demand for credit and loans, and urging our enterprises to carefully conserve and rationally use their funds. In regard to the projects that had satisfactory social results but had weak capability in repaying the loans, we adopted the method of making their responsible departments subsidize the interest payments in order to ensure that the construction of basic facilities would not be hindered by the readjustment of interest rates. The readjustment has played a certain positive role, the deposits have increased, and loans have been reduced. However, as there was a universal shortage of funds, some units who wanted funds, raised funds by themselves at a relatively high interest rate and thus attracted some funds away from bank deposits. At present, we are drawing up measures to strengthen our leadership over the various forms of the practice of raising funds in order to prevent dispersion of funds.

Fifth, we have controlled the use of foreign exchange. Our banks have coordinated with the relevant departments in sorting out and examining the projects that spend foreign exchange, controlled the spending of foreign exchange for imports, reduced the number of groups we sent abroad, and reduced nontrade foreign exchange payments. We have intensified the work of the foreign exchange control bureaus at various levels, established foreign exchange income and payment accounts, and become familiar with the trend of changes in foreign exchange.

Sixth, we have included the volume of the credit and loans provided by our construction bank in the state's comprehensive plan of credit and loans and controlled the scale of capital construction. The scale of the investment in fixed assets is a major factor that affects the total volume of credit and loans. Only by grasping this major factor can our macro control be effective. Last July, the State Planning Commission reexamined the planned projects of capital construction. Our banks took an active part in this work to coordinate with the commission. We have made necessary readjustment for the planned projects for which the supply of funds and materials and goods and the construction conditions were unavailable. The banks supplied the funds for the investment in fixed assets portion by portion to the various areas in order to prevent the enlargement in the scale of investment. We have sorted out and reduced the projects of capital construction that were not included in our plans and the projects of technological transformation and stipulated that a unit must use its own funds in carrying out such projects and no bank loan will be given to it.

The above-mentioned measures that our banks have adopted in intensifying their control and readjustment over our macroeconomy have played a positive role in ensuring the sustained, stable, and coordinated development of our national economy and guaranteeing the smooth progress of our economic structural reform. Our banks have also gained some new experience in the process of conducting the control and readjustment. Of course, it has not been 2 years since the establishment of the central bank and this work is still at an initial stage. The various departments of our national economy are not yet accustomed to the work. When our bank tightens money supply in accordance with the need of our macro control, all the sectors will complain that there is too tight a control and that the bank seeks uniformity in supplying funds. Our bank itself has not yet adapted itself to this work and has the defect of handling actual work in a simplistic way. In order to overcome these, it is necessary for all of us to continue to sum up our experience, unify our understanding, and improve our work.

III

In the process of our country's socialist economic construction, the contradiction between the supply and demand of funds will be a relatively long-term problem. Giving full play to our bank's role as an economic lever and satisfactorily and flexibly using our limited funds are a science as well as an art. The defects in our economic structure make many aspects of the work of banking in our country fall short of the demand of the development of the economic situation today. The reform in our banking system is faced with arduous tasks.

The "Proposal of the CPC Central Committee on the Formulation of the Seventh 5-Year Plan for National Economic and Social Development" pointed out: We should reform our banking system and give full play to the role of our banking system in raising and redistributing funds, guiding the movement of funds, improving the efficiency of the employment of funds, and readjusting total social demand. The People's Bank of China as the central bank is one of the most important institutions of macro control. We should strengthen its position and heighten its independence. The People's Bank of China should control the volume of money supply and the total volume of loans by various regulatory means including the comprehensive credit and lending plans, monetary policies, foreign exchange control, credit, interest rates, exchange rates, and reserve. It should manage to promote the harmonized development of our economy and the rationalization of our economic structure as well as control inflation. In doing their business, all banking institutions must obey the leadership and control of the People's Bank of China. The People's Bank of China should strengthen its supervision and auditing examination of the business of all the banking institutions. If necessary, it is empowered to adopt compulsory means to strictly control the activities of providing loans by various specialized banks and other banking organizations. All the specialized banks should adhere to the orientation of the reform to turn themselves into enterprises, but in carrying out this reform, they should make sound progress. The scope of their business is allowed to properly interlap. Our banks should perfect their regulations concerning the examination and approval of loans and are empowered to independently provide loans in accordance with the plans approved by the state and the state's policies related to credit and loans. At the same time, they have to undertake the responsibility and risk for the loans. The governments at all levels should supervise and support the banks in various areas in conscientiously implementing the state's monetary policies, and ensure that their legitimate rights and interests are not encroached upon. Under the guidance and administration of the People's Bank of China, our banks will apply diverse monetary means to conscientiously promote the redistribution of funds and promote the gradual emergence of a capital market.

According to this general requirement, we have to do the following aspects of work:

First, we should unify our understanding, put an end to the mentality of "eating out of the same big pot." In the past, people were accustomed to the method of the government finance allocating the funds needed and this has given rise to the mentality of "eating out of the same big pot." Now, the way of supplying funds has been changed, but people's mentality and understanding have not yet been changed and they continue to demand that our banks provide them with funds in the old way. This is the same case with our banks which always think that they lack the grounds to refuse a demand for loans. The funds of our banks have mainly been raised from our society and the funds must be used in accordance with economic laws. In regard to any project of loan, we should carry out a feasibility study and make a study about its economic results and capability to repay the loan. After the loan is given, we should be concerned about the progress of the

project all the time and promptly collect the interest and recover the loan when it falls due. At the same time, in using bank loans our enterprises should maintain a good reputation and pay the interest and repay the principal in time.

Second, we should strive to improve the quality of the ranks of the staff and workers in our banks. The key to the fact that our banks' work has fallen short of the requirement of the development of the situation is the poor quality of their staff and workers. We should improve the cadres at all levels in our banks through giving them on-the-job training by turns and recruiting college graduates. We should strive to satisfactorily run the existing institutes of higher education and establish new institutes in a planned manner in the light of the needs of the development of the situation. We should renew the teaching materials and promptly write the teaching materials that meet the requirements, in the light of the current and future trends of our economic development. We should strengthen the education in ideal, persist in doing regular ideological and political work, restore and carry on the banking workers' fine tradition of strictly observing the discipline and performing their official duties honestly, improve our banks' reputation in our society, and continue to heighten the sense of responsibility and honor of the working personnel of our banks.

Third, we should further straighten out the relations between the central bank and the specialized banks and other banking organizations, and satisfactorily handle the relationship between service and supervision. The focuses of the work of the central bank and the specialized banks and other banking organizations must be different. The central bank does relatively much work related to monetary principles and policies; while the specialized banks do much of the actual work to supply credit and loans. However, the work related to the control over monetary principles and policies should serve the work that provides credit and loans; while the work of providing credit and loans must be carried out under the guidance of the monetary principles and policies. We should continue to strengthen the central bank's leadership over the operation of the specialized banks and other banking organizations, intensify its unified arrangement and control over credit, and invigorate the work of our banks under the guidance of our policies and plans. During the reform in our banks, we should also satisfactorily handle the relationship between service and supervision. We will fail to do our work in an all-round manner if we only provide service but carry out no supervision or if we only carry out supervision but provide no service. We should provide service while conducting supervision and conduct supervision while providing service. By so doing, we will enable our banks to play a better role in our economic construction.

Fourth, we should learn the application of various kinds of means of the work of banking, develop new forms of banking work, and gradually modernize our banking work. The utilization of the disparity of time and space and the flexible redistribution and transference of funds are important means for our banks. If we skillfully apply these means, we will make our funds bring better economic results. Now, our tools of credit are relatively simple and backward. We use too much cash and waste labor and material resources. This

should be conscientiously improved. Our banks have too little modern equipment. We should install computers and apply advanced technology in a planned and systematic manner. We have not yet developed the new forms of banking work, such as the establishment of a capital market and the raising of funds from among the people. On the basis of carrying out pilot projects, we should gradually popularize these forms of work in a planned manner. In our thoughts, we fail to attach sufficient importance to organizing deposits and speeding up the withdrawal of credit from circulation. We also fail to actively provide interbank lending. All these must be earnestly improved in our work. We hope that through making efforts for a period of time, we will develop our banks and turn them into modern banks that are scientifically managed and technologically advanced, have quick access to information and good economic results, and provide quality service.

Fifth, we should perfect our legislation related to banks. Some of the legislation made in the past is not necessarily suited to the demand today and we still fail to draw up quite a few laws. There have been quite a few phenomena of specialized banks stealing funds to establish their trust departments which earn profits by a margin of interests to provide fringe benefits for their staff and workers. There has also been an outstanding problem of some areas establishing banking organizations at will to shift funds away from our banks. To counter these, it is necessary to rely on legislation to maintain the normal order of the work of our banks.

Sixth, we should resolutely put an end to the unhealthy practice such as "exploiting one's power of lending to pursue one's private ends" and earnestly improve our work style. If we fail to put an end to the malpractice of "exploiting one's power of lending to pursue one's private ends" in our banks, a number of our cadres will be ruined. The banks at all levels must conscientiously correct this malpractice in combination with the work of party rectification. The work of our banks is a work that has much involvement with our policies and that is of strong service nature. The vast number of staff and workers in our banking system should work on behalf of the interests of the party and state, pay attention to party spirit and the observation of discipline, refrain from pursuing unhealthy practices and consciously serve the general task and goal of our party. They should foster the aspiration of serving the people heart and soul, promptly begin new aspects of service in the light of the demands of the masses and the industrial and commercial enterprises, improve their work, raise their work efficiency, and provide people with convenience.

/6091
CSO: 4004/22

HOW IS THE MONETARY LEVER TO BE APPLIED IN EXERCISING EFFECTIVE MACRO CONTROL?

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 18-21

[Article by Zhou Taihe [0719 1132 0735] and Zhan Wu [6124 2976]--capitalized passages published in boldface; passages within slantlines published in italics]

[Text] Since this year, the State Council has arranged to strengthen macro control mainly by applying the monetary lever. This is a major attempt to mainly apply economic regulatory means to regulate our national economy and thus actually implement the spirit of the decision of the 3d Plenary Session of the 12th CPC Central Committee on the economic structural reform. As all the localities have conscientiously implemented the instructions of the State Council, they have done their work to control the volume of credit and other aspects of work so well as to put an end to the malpractice that had been in vogue. This has begun to have some good impact on some sectors of our national economy. However, we still have to make efforts in order to attain the goal of our macro control. In addition, the tight-money policy has given rise to some new difficulties in some spheres of our economic life. In the light of the situation that we have become aware of through our recent investigation in Shandong, Shanghai, Zhejiang, and other areas, and in the light of the general situation, we are going to air our views on these problems.

HOW ARE WE TO MANAGE TO SIMULTANEOUSLY CONTROL THE VOLUME OF CREDIT AND ENABLE OUR ECONOMY TO OPERATE NORMALLY?

According to the experience gained by various areas, we should do the following four aspects of work:

1. /We should do a good job of dealing with different things in different ways./ We should control what should be controlled and support what should be supported and we should not seek uniformity. In the main we should grasp five key aspects of control and ensure the provision of credit for four aspects of work.

The focus of our credit control should be on the following: 1) We should tighten the control over and suspend the supply of credit for financial

overdraft and loans. 2) We should tighten the control over and stop the injection of credit for financial purpose that is devoid of any economic results and that is disguised in other forms. 3) We should strictly control according to our plans the loans for the investment in our capital construction. 4) We should halt the provision of and recollect the loans for the blind production of unmarketable products. 5) We should strictly implement the principles and conditions for the supply of credit, including the condition that the enterprises that receive the loans must have acquired 30-50 percent of the funds needed on their own. We must strictly observe the regulation on the credit limit for the loans provided for individual traders. We should increase the rate of interest on the loans that are not repaid in time. We should develop the business of providing enterprises that are not owned by the whole people with loans that are secured on their products. We should perfect the system of loan inspection and collection, and resolutely put an end to the unhealthy practice of "providing loans as a favor" and "providing loans out of the consideration of under-the-counter relationship."

We should ensure the provision of credit for the following four aspects of work: 1) We should ensure the timely paying out of withdrawals of bank deposits and the timely payments of bank and postal drafts. 2) We should ensure the supply of the credit needed for the purchases of agricultural products according to contracts, the purchases of these products at protective prices, and the purchases of marketable industrial products. 3) We should ensure the supply needed by the enterprises that produce products that are marketable at home and abroad, that have satisfactory economic results, and that are able to expand the trade at home and abroad, enlarge the capability of their commodity in withdrawing money from circulation, or increase their income of foreign exchange. 4) We should ensure the payments of foreign exchange or renminbi according to the domestic and foreign contracts that have already been legally signed, payments that our work to sort out these contracts has proved ought to be paid.

2. /We should flexibly arrange the use of our funds./ There are differences in the time, area, and projects that need the credit of funds in different areas and trades. Our banks can exploit these differences to make flexible use of their funds.

There are diverse ways to redistribute the funds: the method of provincial people's banks arranging the redistribution; the method of prefectoral and city industrial and agricultural banks lending money to agricultural banks; and the method of borrowing loans from the banks in other provinces. Under the precondition of maintaining the lending within the volume of credit allowed, these methods can play a certain role in easing the shortage of funds in our banks. In order to satisfactorily redistribute funds, we should do the following: 1) We should not exceed the prescribed credit volume. 2) Our lending should be made out of the money that can be used. 3) We should adopt the policy to encourage the redistribution of funds through borrowing and lending. For example, we should ensure that the lender banks can collect the repayments of loans in time, appropriately raise the interbank interest rates, and thus give play to the initiative of

the lender banks. 4) We should employ competent staff to study and control the redistribution of funds, improve internal work systems and raise efficiency.

3. /We should attract more bank deposits and collect all the loans due./ Only by increasing the deposits our banks take in can we lend more money without changing the ratio of lending to deposits. Only through promptly collecting all the loans due can we enliven the circulation of our funds without breaking the prescribed limit to our volume of credit.

4. /We should guide our enterprises in tapping their potential./ Our agricultural banks and credit cooperatives should switch the focus of their work related to township and town enterprises onto the work of tapping their potential, enlivening the enterprises, and conserving funds through improving their management. Many enterprises in Yantai and Weifang Prefectures, Shandong, that lack funds have adopted the measures such as conscientiously collecting all the payments due to them, reducing the stock of products in their storerooms so as to reduce the funds locked in their finished products, developing joint ventures to introduce technology from other areas, and cutting down their nonproduction expenditure. The industrial and commercial enterprises in our cities can also tap their potential in this area.

HOW ARE WE TO MANAGE TO INCREASE THE NET WITHDRAWAL OF MONEY FROM CIRCULATION IN THE PROCESS OF CONTROLLING CREDIT?

We can adopt the following four comprehensive and integrated measures:

1. /We should strictly control the volume of credit./ One of the effective methods to control credit volume is to control the injection of currency. However, the key to the effective control of our volume of credit is to maintain a proper growth rate of our industry. According to the calculation of the Shandong Provincial Industrial and Commercial Bank, if all the industrial enterprises that have relations with the bank in the province increase their output value by 10 percent, an additional 1.2 billion yuan of floating funds is necessary. This will give rise to a shortage of funds amounting to 530 million yuan, but the province will be able to manage to strike a balance. In fact, from January to May this year, the output value rose by 19.9 percent. This gave rise to a demand for 1.97 billion yuan of additional floating funds and a shortage of funds amounting to 1.27 billion yuan which made it impossible for us to strike a balance. Therefore, in order to control the volume of credit, we must make efforts to reduce the excessive growth rate of our industry.

2. /We should vigorously develop our credit business and organize people to deposit their cash with our banks./ A summing up of all the experience gained by various localities shows that we have the following major methods to do that: 1) We should reform our method of settling accounts and thus adapt ourselves to the demand of our individual traders for opening bank-settling accounts with our banks, a demand that has emerged owing to the rapid development of our commodity economy. Now among all the individual

traders in the rural and urban areas in our country, only 5 percent have opened bank-settling accounts with our banks. The percentage for our rural specialized households is even smaller. We must expand and improve our service for rural specialized households and urban and rural industrial and commercial households and provide them all-round service ranging from taking deposits from them through providing them with loans, settling accounts for them and making remittances for them. According to a survey made in Shandong, 70 percent of the households who hold their funds in cash are in our rural areas and among them 59 percent are specialized households. Doing a good job of providing credit service for them is of great significance in organizing people to deposit their cash with our banks. 2) We should expand the remittance network of our banks. We should allow the township-level banking institutes and credit cooperatives in the towns and townships where the commodity economy is relatively developed and where conditions are mature for settling accounts of bank remittances in the unified remittance network of the banks all over the country. In addition, we should vigorously try the use of cashier's checks and travel checks. This is an important method to solve the current problem related to the need to carry and use large amounts of cash by our town and township enterprises, individual industrial and commercial households, and rural specialized households. 3) In purchasing agricultural products, we should vigorously popularize the method of settling accounts by transference checks of fixed amounts. 4) We should make experiments of making banks acting as agents for large enterprises to pay wages to their staff and workers. 5) We should reform the existing cash management methods in our state-owned and collective units and should strengthen our control on the basis of doing a good job of service.

In order to really achieve good results in applying the above-mentioned measures, there must be the coordination of certain subjective and objective conditions. First, our banks should satisfactorily develop themselves. They should improve themselves in the areas such as the layout of their branches and service centers, the quality of their personnel, their office hours, their service efficiency, and their work style, and should gradually modernize their equipment in providing credit. Second, our state-owned and collective units should be models in implementing the cash control methods. In doing their transactions, they should coordinate with our banks by vigorously using the means for settling accounts. Third, in accordance with the spirit of the circular of the relevant departments of the State Council on strengthening the work of making people deposit their cash with banks, all sectors should coordinate with one another.

3. /We should organize the work of withdrawing credit from circulation with the focus of our work on increasing bank deposits and collection of repayments of loans./ Increasing bank deposits is a major pillar for the work of increasing the withdrawal of credit from circulation. Now there are large amounts of idle funds in our urban and rural areas. As long as we can adopt proper concrete policies in the light of this situation and thus make our work meet this situation, it will not be difficult for us to sharply increase the bank deposits in our urban and rural areas in the near future.

What we mean by adopting proper concrete policies in the main denotes that we should proceed from doing five aspects of our work in order to give play to and protect the initiative of those who deposit money with our banks and those who take in deposits. The first is the work concerning the relationships between banks and their depositors. We should promptly readjust, in light of the price level of goods and the change in the profits of our enterprises, the interest rates of bank deposits in order to maintain and heighten depositors' initiative. The second is the work concerning the relationships between our credit cooperatives and our banks. We should appropriately raise the interest rates of the credit cooperatives' deposits with our banks and thus solve the problem of these rates being lower than the interest rates that these cooperatives allow for the deposits they have taken from their customers. We should also ensure that except for the 30 percent of the total amount of deposits that our credit cooperatives have taken in, to be transferred into reserve in accordance with our bank credit plans, our credit cooperatives have decisionmaking power over the use of the remaining 70 percent of the deposits. This is aimed at ensuring giving play to the initiative of our credit cooperatives in attracting deposits (in particular fixed deposits). The third is the work concerning the relationships between banks and credit cooperatives and their staff and workers. We should break the system of "eating out of the same big pot" and in order to give play to the initiative of the staff and workers of our banks and credit cooperatives in taking in deposits, we should gradually implement an appropriate management responsibility system that is suited to the characteristics of our banking industry and that can raise the economic results of our enterprises and society. The fourth is the work concerning the relationships between the central and local governments. We should give play to the initiative of localities in being concerned with the work of our banks and credit cooperatives in taking in deposits. One of the methods is to allow localities to get more loans with more deposits under the precondition of maintaining the total volume of credit within the prescribed limit. The fifth is the work concerning the relationship between the banks' work to take in deposits and the work of raising funds in our society. In regard to the separate activities of raising funds from among the community, we should adopt the policy of strengthening control and giving guidance. All plans to raise funds from the community must first be examined by our banks and cannot be carried out until they are approved by the banks. These activities to pool the cash in the hands of the masses of people should not have any shocking impact on the deposits with our banks or on the scale of capital construction and consumption funds over which there is state control.

By making our work meet the situation we mean: 1) We should manage to provide convenience for the masses of people and solve the problems related to their difficulties in depositing their money with our banks. The work we should do includes the establishment of more deposit centers, the employment of agents to take in deposits, the development of mobile service, the lengthening of office hours, the simplification of procedures, the heightening of our efficiency, and the improvement in our service. 2) We should develop new aspects of our operation to meet the demand of the new situation and the masses of people. In the areas provided with the necessary

conditions, we will start the business of the deposit account which can be changed from a savings deposit into a fixed deposit and vice versa, check current account, future deposit account fixed beforehand, safety deposit, special deposit and overdraft account for the purchases of means of materials, housing deposit account, and so on. 3) We should make flexible propaganda in diverse forms of the advantages to deposit money with our banks and promptly remove the depositors' worries. Many typical materials have proved that as long as an area or deposit-taking institute performs a couple of actual deeds in implementing the policies and improving their work, the deposits it takes will rise by leaps and bounds.

The changes in deposits by urban and rural enterprises, like that in the deposits by our urban and rural people, have relatively great impact on the withdrawal of credit from circulation. Over the past year, there has been a tendency of decline in our enterprises' deposits. This is mainly because the funds of our enterprises have been absorbed by the expanded capital construction and consumption funds and also because of the irrational administration and management and the diverse practice of raising funds from and imposing charges on our enterprises. Therefore, in order to stabilize and increase the bank deposits of our enterprises, in addition to properly increasing the interest rates for these deposits, we should give particular play to our banks' role in serving and supervising our enterprises, help enterprises to reasonably readjust the composition of their undertakings, their product mix and the composition of their funds and improve their administration, management, and distribution.

Increasing the amount collected of loans due and overdue is another major means to increase the withdrawal of credit from circulation. There is great potential to tap in this area. The loans that were lent before 1978 and that have become overdue and have not been collected, amount to over 6 billion yuan. Moreover, more than 40 percent of the loans that have been lent in the past few years and that have been due or overdue have not been repaid. There are many favorable conditions for collecting the loans due and overdue in the future: 1) During the past few years, the commodity economy in our rural areas has developed relatively greatly and the income of peasants and of the various kinds of cooperative economic organizations has also increased relatively greatly. 2) The various areas are allowed to retain for their own use the loans that they have collected. This has given relatively great play to their initiative in collecting loans. 3) Since we began to strengthen our control over credit, the economic results of loans have been improved and this has provided a better guarantee for the timely collecting of loans. Therefore, as long as we adhere to the credit principles and regulations in lending new loans in the future, and thus provide a guarantee for the timely repayment of loans; as long as we conscientiously implement the policy to encourage and give impetus to localities to collect loans and thus recover the funds locked; as long as we adopt the measures of increasing interest rates and imposing penalty interest on overdue loans lent to enterprises and individuals; and as long as we organizationally strengthen the ranks of personnel specialized in collecting loans and implement an economic responsibility system, then we will be able to strengthen our work in collecting loans.

4. /We should vigorously heighten the capacity of our commodities in withdrawing currency from circulation./ This year, a new situation has emerged in our work of withdrawing currency from circulation by the sales of our commodities, a situation that is worth attaching importance to. Namely, the stock of goods in our state-owned commercial sector and in our supply and marketing cooperatives has dropped and the percentage of their sales in the total volume of sales in our country has also relatively dropped. The sales of our individual industrial and commercial sectors have increased, but little of the proceeds from their sales has been deposited with our banks. Therefore, in the sphere of credit, we must vigorously support the production of marketable consumer goods and the purchases of our state-owned commercial sector and supply and marketing cooperatives; develop animal food, clothing, agricultural products processing, building materials, and other industries; continue to do a good job of the production and marketing of gold personal ornaments, and thus heighten the capability of our urban and rural areas in withdrawing currency from circulation by the sales of commodities.

HOW ARE WE TO HEIGHTEN OUR UNDERSTANDING OF THE ROLE OF THE MONETARY LEVER IN OUR MACRO CONTROL?

Exercising macro control mainly by applying the lever of credit is a new practice. Many questions have to be gradually clarified and understood in a unified manner through practice. There are in the main the following three questions:

1. /How are we to view the necessity of macro control?/ Some comrades lack understanding of the seriousness of the problem of our failure to exercise a macro control and therefore lack the due consciousness in obeying macro control. They emphasize that their areas are exceptions and that there is good control in their areas in spite of the losses of control in other areas. Therefore, they continue to blindly start new projects and refuse to implement the orders issued to them or ban what they have been ordered to ban. Shandong's experience has proved that we should make analysis of local economic situations and problems, in particular, combine this analysis with the intensified investigation and analysis of the loans provided for some township and town enterprises and some capital construction projects and for agriculture, in order to make our cadres actually realize that the State Council's arrangement to strengthen macro control entirely conforms to the reality in the province and is entirely necessary.

2. /How are we to view the positive function of the macro control?/ At the beginning, as some difficulties have emerged in certain spheres of our national economic life since we began to impose a credit control, we should gradually realize, through studying the documents and through our practice, that the previous practice of freely providing enterprises with funds means giving erroneous signals to our enterprises and thus making them carry out their production blindly. The credit control has caused the difficulty of immediate shortage of funds to our enterprises, but it has also provided our enterprises an opportunity to readjust the composition of their undertakings and products, correct their production policies, and improve their

administration and management. From a long-term point of view, this will precisely enable our enterprises to forge ahead more healthily and stably and take an invincible position in future competition. At the same time, this practice of strengthening credit control has not only enabled people to understand the force of the monetary economic lever and make them attach unprecedentedly great importance to the work of our banks, but also means a major examination of the work of our banks. In the past, as we implemented a fund supply system, funds were squandered freely. This was detrimental to the development of talented bank management personnel. Now, there is a demand for skilled bank managers to make good use of limited funds. This will enable us to train genuine bankers who are good at using funds.

3. /Is this a makeshift or long-term measure?/ At the beginning, some comrades regarded the strengthening of macro control as an emergency measure and thought that soon there will be large-scale development again. Shandong Province has made its cadres discuss this question and enabled them to become clear that for a certain period of time in the future the central authorities want us to strengthen our macro control and it will not be possible for us to relax our control over funds. They have called on the cadres at all levels to overcome the mentality of relying on the support from the upper level and to heighten their confidence in relying on themselves in overcoming their difficulties.

Through practice we have also continued to deepen our understanding about the position of the credit lever in our macro control and about the question of how we are to effectively give play to the role of this lever and correctly handle its relationships with other relevant spheres. We have mainly become clear of the following:

1. /Our banks should work in the forefront and should also have the coordination of all other sectors./ Our macro control consists of control of materials and goods and control of value. The control that our banks exercise is a control of value. It is characterized by being easy to exercise and having quick effect. The current practice of credit control will play a short-term role in putting an end to the overexpansion of our volume of credit, consumption funds and scale of capital construction and to the excessive growth rate of our industrial production. This shows that it is correct for our banks to work in the forefront in exercising macro control. However, diversified problems have emerged in our economy at present; therefore, we cannot rely merely on our banks and should apply other levers such as planning and taxation to closely coordinate with the macro control exercised by our banks. In particular, our local party and government leading groups should regard our banks as the key institutes in exercising our macro control, vigorously support them and persevere in doing so.

2. /We should simultaneously grasp our macro and micro reforms./ In exercising our macro control this time, we do not mainly rely upon our administrative means, but apply the economic lever of our banks. This practice is itself precisely a great macro reform. At the same time, the current credit control has revealed that the system and work of our banks are still not quite suited to the situation. Our banks must go a step further in

conducting their reforms and thus they will be able to meet the needs of macro control. Macro control and reform have created the preconditions and guarantee for reforming and enlivening our microeconomy. If we do not do a good job of macro control and macro reform, our microeconomy could not be enlivened satisfactorily and the effect of enlivening will not last for a long time. Reversely, while enlivening our microeconomy, we should exercise our control over the macroeconomic sectors. However, strengthening our macro control does not mean that we return to our old path, but means that in exercising our macro control, we continue to grasp satisfactorily the reform and the enlivening of our microeconomy. Only by so doing can we solve our macroeconomic problems more effectively.

3. /We should carry out our macro control level by level in the different administrative levels./ In such a big country like China, if we use only one method to carry out the macro control, it will be difficult to avoid the malpractice of seeking uniformity. Moreover, if we do that, we are not certain that we can actually exercise macro control and that we can exercise macro control satisfactorily. Our provinces, prefectures, and counties should respectively be responsible for the task of exercising macro control under the unified policies and leadership of the CPC Central Committee. We cannot regard the exercising of macro control as entirely being the task of the central authorities, and think that the localities and enterprises are only responsible for the task of enlivening. In order to give play to the role of the central bank in exercising its multiple-layered macro control, we should also entrust to all the specialized banks and the branches of the central bank in all localities, the task and the necessary power in exercising macro control.

4. /We should draw a few relevant demarcation lines for credit control./ The volume of credit and loans is closely related with the scale of investment in our capital construction and the pace of our industrial development and so on. Therefore, the overexpansion of the investment in our capital construction and the excessive speed of our industrial development will affect the balance of credit; the credit control will reduce the scale of investment in our capital construction and the speed of our industrial development. In order to prevent repeating the old practice of being in chaos as soon as we relaxed our control, and depriving our economy of vitality as soon as we have exercised control, under the prerequisite of conscientiously strengthening macro control, we have charted out a new path which organically combines controlling our macroeconomy with enlivening our microeconomy. We can fix a few limits for our credit control. For example, we can regard the target volume for credit and the striking of a credit balance as a limit to the growth rate of our industry. We regard avoiding financial deficits and imbalance of credit as the limit to the scale of investment in our capital construction. We regard enterprises not using less than 60 percent of the enterprises' retained profits for their development funds and enterprises having acquired on their own 30-50 percent of the funds that they need to borrow as the limit for the enterprises' rational composition of funds. All the relevant sectors must regard these as the generally acknowledged principles to abide by.

METICULOUSLY ORGANIZE OUR 'WORK' IN THE REFORM OF THE EDUCATIONAL SYSTEM

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 22-25

[Article by Hong Dongchang [0149 2639 2490]]

[Text] The "Decision of the CPC Central Committee on Reform of the Educational System" has evoked very great repercussions both at home and abroad. All provinces, municipalities, and autonomous regions have done a lot of work in the few months following the publication of the decision. In some localities, the spirit of the "Decision" has been implemented down to units at the township level. In September the nation solemnly celebrated its first National Teachers' Day, promoting the formation of a general social practice in which teachers are respected by all members of society. The educational situation in the country is very fine. There has been a good beginning in the implementation of the CPC Central Committee's "Decision."

As the current economic structural reform is progressing smoothly, the state's financial and material capabilities will gradually increase. Experience in the rural economic reform has proved that economic development is the fundamental driving force for the development of education and also provides a material foundation for education. Members of leading bodies at various levels becoming more revolutionary minded, younger in average age, and more knowledgeable and specialized helps gain respect for teachers and education in organizational terms. Reviewing the situation since the 3d Plenary Session of the 11th CPC Central Committee, with greater and greater importance being attached to education and the teachers, we must be optimistic about the future of our educational cause. Of course, we must also notice that it will be rather a long process and take a lot of strenuous effort to really change the erroneous understanding of looking down on knowledge, talented people, and education.

The "Decision" clearly shows us the orientation, nature, and tasks of our country's education and the ways to accomplish these tasks and the priorities of educational reform, as well as the principles and policies concerning the reform. It is a grand, programmatic document for our education. Reforming the educational system, readjusting the educational structure, and changing educational thinking, contents, and methods are an extremely complicated systems engineering undertaking. Since we lack experience, we are bound to encounter various kinds of difficulties, both foreseen and unforeseen.

Therefore, we should be fully mentally prepared for this, overcome difficulties, accumulate experience, and work hard to implement the "Decision" and to create a new situation in educational work with an approach of being highly responsible for the state, the nation, and the socialist cause and with a new work style and methods and in an indomitable, enterprising spirit.

1. Really Foster the Idea of Education Being Indispensable to Socialist Construction

Our current task in education is to educate nearly 200 million students in schools at various levels, to wipe out illiteracy among about 80 million young people in their prime who are illiterate or semi-illiterate, to give continued training to some 100 million staff members and workers so as to raise their educational level, to vigorously develop education among the peasants, in particular, professional and technical education among 100 million graduates from junior middle schools or above in the rural areas, and to give continued education opportunities to professionals in various fields so as to constantly upgrade their knowledge. This is the arduous task entrusted to us by the four modernizations program. To fulfill this task, we must genuinely solve the problem of attaching importance to education as pointed out by Comrade Deng Xiaoping. Party leaders at various levels and all trades and professions should foster the idea of education being indispensable to socialist construction and translate it into action. The disposable money which can be saved should be used in developing education, a project of lasting importance, as far as possible. Not only should principal leaders pay keen attention to education but all government departments, in particular the departments in charge of comprehensive management should also willingly take care of education as some provinces and municipalities have done. Not only should the central, provincial, and municipal authorities pay keen attention to education, but the governments at various levels or down to the township level should also pay earnest attention to it. They should make persistent and unremitting efforts to carry out education work well. On the other hand, to complete this arduous educational task, it is necessary to arouse the enthusiasm of all sides and quarters concerned, to correctly handle the relationship between the responsible central departments and the responsible departments of local governments, between the responsible government departments and schools, and between schools run by the state and those run by various social forces under state encouragement, and properly solve the problem of bringing into play the enthusiasm of teachers, students, staff members and workers of schools, particularly that of teachers. To properly handle these relationships and to bring into play all the enthusiasm that can be aroused, it is imperative to reform the management system. At the same time, proceeding from the actual conditions in our country, we should simplify administrative procedures and delegate powers to lower levels so that various localities can carry out the reform in line with local conditions. Of course, by simplifying administrative procedures and delegating powers to lower levels, we mean that issues relating to macroeconomic control and guidance should be handled appropriately under centralized and unified management by taking into account the fact that the developments of various localities and departments are uneven, rather than delegating all powers to lower levels. Major principles

and policies and basic rules and regulations should be put under unified management. In education at all levels and of all types, diversified standards and forms of multilayered teaching should be introduced and basic requirements should be set for training standards and quality. Moreover, unified management should be combined with the expansion of education in line with local conditions. What merits special mention is that conducting ideological and political work in schools at all levels and of all types is the key link in ensuring the socialist nature of our education and in adhering to the four basic principles on the educational front. The "Decision" fully explains all these questions. Recently, the central authorities have issued a circular on reforming courses on moral character and political theory in the schools. This is the first supplementary document since the promulgation of the "Decision." Educational departments at all levels and school leaders should attach great importance to willingly carrying out the reform in the schools' courses on moral character and political theory under the guidance of Marxism and in strengthening ideological and political work in the schools in various ways.

2. Do Down-to-Earth Work To Raise the Investment and Social Results of Education Through Reform

Since our country is economically and culturally backward, although the central authorities decided that "for a certain period of time in the future, the funding of the central and local governments for education will grow at a rate faster than that of the regular state revenue and the amount spent on each student will gradually rise too" and that the enthusiasm of all quarters of society should be mobilized to pool funds through various channels to run schools, the level of our investment in education is still very low, compared with developed countries. We should conscientiously study how to achieve the possible minimum investment and social results from the use of fewer human and material resources. This calls for down-to-earth work. Above all, we should concentrate our efforts on macroeconomic management and guidance and strive to avoid blindness in personnel training. A country has its own conditions for economic development and so does a province. Different production patterns, such as the knowledge and technology intensive type, the capital-intensive type, and the labor-intensive type, as well as different trades and different localities, need different mixes of qualified personnel in terms of professional levels. All localities have their own strategies for economic growth as should be the case with their educational development. Blind competition in this regard should be avoided. All localities and trades and professions should, in line with their own characteristics, make an appropriate forecast for the demand of human talent and work out plans for developing education, seek the most rational educational structure, and strive for the best social results. The strategic guideline of the "Decision" on dividing the country into three categories or areas in introducing 9-year compulsory education in a step-by-step program is equally applicable to education as a whole. Second, we should tap potential in the system itself. Generally speaking, the investment in education is both strained and wasteful. One major cause for this state of affairs is the malpractices in the management system, which are manifested in higher education and secondary vocational and technical education. On the one hand, we should

put into full play the enthusiasm of all departments and localities for running and managing schools and on the other, we should overcome the drawbacks found in the course of doing so. One effective way is to develop co-managed schools and schools which receive students recommended by their work units for certain courses by transcending different departments or regions. We should concentrate on reform and expansion, and tap potential for existing schools and take the road of combining schools, research institutions, and production (social application) departments. The schools should fully bring out latent potential by reforming the personnel and wage systems and rationally use personnel and adjust the organizational structure. With the expansion of tertiary industry, the logistics departments of institutions of higher education should become community oriented from being run as a semienterprise. In the meantime, the practice of blindly seeking diplomas, which bears no relation to the needs of society and work and leads to a waste of human and material resources, should be checked. The development of teaching aids, such as broadcasting and audio-visual transmitting techniques, has opened up new, broad avenues for educational growth and will enable us to turn out more qualified people using fewer human and material resources. We should pay adequate attention to this matter.

3. Education Should Serve Socialist Construction

Another objective of the structural reform is to put an end to the situation in which all types of schools at all levels simply run education for the sake of education and, to a certain extent, fail to keep up with the national conditions and meet the needs of socialist construction. In other words, it is necessary to push these schools to gear their work to "three aspects" [namely, the needs of the modernization program, the world, and the future], to correct the direction of running schools, and institute a series of reforms in the aspects of running schools, educational thinking and contents, teaching methods, and the teaching, and examination systems. A few comrades have their eyes exclusively on increasing investment and spending in education and even think that the structural reform is merely a matter within the scope of macroeconomics and it has little to do with them. For a long time in the past, the party failed to shift the focus of its work to economic construction and the educational system was not without malpractices. All this caused some schools to ignore whether or not the students they turned out could meet the needs of socialist construction and practical work, and thus they failed to promptly readjust and improve their work. This is obviously not correct. Whether or not a school is run well, in the long run, depends on the performances of the students it turns out in socialist construction. From their students' performances, the school can gauge both positive and negative results in its work. Every teacher and educator should have the idea of being responsible for the overall development of all their students and for their students all their lives. These are also the new, higher demands set on education by the guiding principle of gearing education to "three aspects."

To serve socialist construction, education should keep the present and the 21st century in mind and aim at turning China into a country with developed

education, achieving the grand objective by the centenary of the founding of the PRC--an objective for which we are fighting now--combining itself with the ideal of communism. Our thinking in education should be congruous with these demands. The requirements set by the "Decision" on the ideological and political awareness and professional competence of qualified personnel are the targets of common endeavor of schools at all levels and of all types. China has a fine education in education. However, the negative influence left to us over a long period of time by the feudal and semifeudal and semi-colonial societies should not be ignored. This influence, widely existing in social psychology and people's thinking in education, cannot be eradicated in a short time. However, Marxism tells us that people remold their subjective world in the practice of changing the objective world. Through the practice of the great socialist construction and reform, all outworn concepts are bound to be discarded. As far as the reform of education is concerned, first, it is necessary to change educational thinking. Only in this way can there be appropriate changes in the system of teaching, content of courses, the compilation of teaching materials, and the methods of teaching and examination. All teachers and related working personnel must have a clear understanding of this truth. To attain better social results in education, the schools should reform the leadership and management systems. Changing educational thinking is a prerequisite for achieving the desired results in this respect. The changing of educational thinking involves home education and social education with school education as the core. We are bound to encounter divergent views from the community and the schools on the reform. At present some primary schools are running "schools for parents" to disseminate among parents the knowledge of pedagogy and psychology, knowledge of how to correctly educate their children. Their experience merits our great attention.

Long ago Comrade Mao Zedong proposed that the force-feeding method be discarded, the elicitation method be encouraged, students be allowed to develop on their own initiative, and the examination method be reformed so as to encourage the students' creative spirit. Although these proposals were applied in a one-sided and distorted way during the "Great Cultural Revolution," their basic essence is not wrong. At the national conference on educational work held this year, a central leading comrade once again raised this question. This merits our great attention. We should change the educational thinking characterized by mechanical memorization which is detrimental to bringing the students' initiative into play and to fostering their creative spirit. We should use the strong points of other countries in teaching matters for reference. Of course, we should be analytical in doing so. In the final analysis, the educational thinking of Western countries takes individualism as the dominant factor and ours gives top priority to the people's interests.

In testing the correctness of educational and teaching reforms we should rely on social practice. Since qualified people are different from material products, the examination of qualified people will take a rather long time. We should be good at summing up historical experiences, both positive and negative, adopt a both positive and prudent attitude toward the reform, and conduct any major reform only when we have experimented with it. Our

education has its own strong points--our university students have a fairly sound and strict mastery of basic theory and a rather assiduous style of study. These good traditions must not be discarded. The reform is aimed at negating what is erroneous and obsolete in education rather than negating everything or blindly and indiscriminately copying the experiences of other countries.

4. Take Firmly in Hand the Decisive Link, Namely, the Contingent of Teachers

Reforming and developing China's education call for necessary material conditions. With the increased financial and material capabilities of the state, the material conditions necessary for educational reform and development are expected to improve gradually. However, the problem of teachers is more important than that of material conditions. Teachers are indispensable to education growth. The schools at all levels and of all types are confronted with the task of raising the standards of their existing teachers. The teacher problem in schools involved in elementary education or professional technical education and in some teachers colleges or schools is particularly urgent. The "Decision" advances the solution to this problem as a strategic measure. This is extremely necessary and entirely correct.

We should correctly handle the relationship between quantity and quality. In the rural areas, with the question of having enough to eat and wear being solved, the masses of people have great enthusiasm for running schools and hope there will be an adequate number of qualified teachers. The growth of professional technical education also calls for teachers qualified in teaching basic theory and technical ability courses. At present, in implementing 9-year compulsory education and developing professional technical education, we should, first and foremost, use the limited investment and spending in education in building the contingent of teachers. This will likely slow down the quantitative educational growth in some regions for the time being but, from a long-term point of view, education will expand more rapidly and steadily.

In solving the teacher problem, we should rely on policies, that is, we should work hard to raise the social status of teachers and school leaders and to improve their material treatment. The party and the government have taken a series of measures and will take further steps in this regard with the growth of the state's financial and material capabilities. So long as the reasons are clearly stated, the vast numbers of teachers will understand the truth.

It is necessary to introduce an employment system based on professional posts or an appointment system which conforms to the characteristics of education, and to vigorously arouse the enthusiasm of the vast numbers of teachers for enhancing their ideological and political awareness and improving their educational and cultural level. Instituting a scientific title system for teachers' professional posts is a prerequisite for implementing the policy toward intellectuals and of very great significance to building the contingent of teachers. Therefore, it should be carried out properly and steadily.

There is a considerable dearth of teachers in elementary education and professional technical education and the task of fostering and training teachers in this field is extremely arduous. It should be completed through many channels and forms. Besides teachers colleges and teachers training colleges or schools which are encouraged to improve conditions and tap potentials, institutions of higher education, secondary technical schools, scientific research institutes, and social forces which have conditions should be fully used in fulfilling the task. The central and local party and government organizations have selected qualified personnel to help train teachers for middle and primary schools and some institutions of higher education have taken the lead in training and raising the professional competence of middle and primary school teachers. In addition, various activities have been carried out in this respect, such as urban schools supporting rural ones, well-experienced teachers helping teachers who are less experienced and competent professionally, and the self-study program combined with a program of teaching each other or short-term training with training in rotation. To raise the professional competence of teachers in a big way, broadcasting, television, correspondence, and audio-visual teaching materials have been introduced. If conscientious efforts are made to take this work in hand, we believe that the assumption that most teachers can be competent at their teaching jobs within not too long a time can be achieved.

One of the defects of the system is that there are dislocations in many aspects of teachers colleges or schools and teachers training colleges or schools. It is necessary to encourage the two kinds of schools to make concerted efforts and bring their potential into full play. According to the current stipulations, the schooling standards of teachers of China's middle, primary, and infant schools are still low. To meet the needs in the future, their standards can be raised in three steps. In the first step, they are expected to be competent in completing the teaching tasks in their specific courses; in the second step, they should be up to the required schooling standards; and in the last step, from a long-term point of view, they should reach a higher schooling standard. In doing the work, we should stress practical results in education and teaching work, avoid formalism, and introduce appropriate policies and assessment methods.

Since teachers colleges or schools are confronted with arduous tasks, they badly need reform. To implement the guiding principle for running schools that requires teachers colleges or schools to gear themselves to the needs of secondary school education and below, we should institute reforms in such areas as student enrollment, teaching plans, job assignment for graduates, the system of postgraduates, ideological and political education (including education in professional morality), and scientific research. Otherwise, the so-called proposition of correcting the direction of running schools will become mere empty talk. In order to build an educational system with Chinese characteristics, we need a group of outstanding Marxist educators and educational thinkers and should strengthen the study of educational science which was delayed by the "leftist" obstructions in the past. Teachers colleges or schools undertake a glorious mission in this regard. The task facing the educational front is both glorious and arduous.

Comrades on the educational front should proudly dedicate themselves to the sacred cause that has a bearing on the future of the state and the nation and the success or failure of socialist construction and work hard to foster a generation of new people who are superior to their predecessors, and not be seduced by personal fame and lured by promises of gain.

/6091

CSO: 4004/24

VIVID AND CONVINCING EDUCATION IN COMMUNIST IDEOLOGY--ENLIGHTENMENT FROM THE REPORT TEAMS OF PLA HEROES AND MODELS

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 26-30

[Article by Zhou Keyu [0719 0344 3768]; capitalized passages published in boldface]

[Text] Organized by the CPC Central Committee Propaganda Department and the PLA General Political Department, the report teams of the PLA heroes and models are now making reports in one place and another all over the country among the masses and officers and men of the PLA. Their brilliant meritorious deeds are stimulating people's hearts and are having strong repercussions. All people, regardless of their age, experience, or occupation, are drawing boundless strength from these heroes and models. From them, the masses have seen that the fine traditions of our party and Army are being revived and carried on in the 1980's. They have seen hopes of effecting a fundamental turn for the better in party conduct and the general mood of society, and they have seen that a generation of people of a new type with a communist spirit is growing up. Many leading cadres, including older comrades who have been engaged in the revolution for the past 50 years, have also been deeply moved by the meritorious deeds of these heroes and models, pledging that they will learn from them and take the lead in improving party conduct and the general mood of society. Treasuring the excellent situation marked by political unity and stability and good conditions for study, many young students are resolved to study hard and assiduously. The broad masses say that such a tremendous influence exerted by meritorious deeds of heroes and models has seldom been seen in many years. They describe the reports by these heroes and models as the "most stirring songs of the 1980's."

In carrying out the spirit of the National Conference of Party Delegates, the activities of learning from heroes and models are a major measure to encourage the people to foster lofty ideals and moral integrity, to become educated, and to cultivate a strong sense of discipline, and are the essence of building a socialist civilization which is advanced ideologically and culturally.

REPORTS BY THE PLA HEROES AND MODELS HAVE ENABLED SUCH A TREMENDOUS INFLUENCE TO BE EXERTED MAINLY BECAUSE THEIR MERITORIOUS DEEDS VIVIDLY EMBODY COMMUNIST IDEOLOGY AND MORAL CHARACTER, AND PEOPLE HAVE BEEN EDUCATED THROUGH VIVID, CONCRETE, AND STRIKING FACTS SHINING WITH COMMUNIST IDEOLOGY. THIS PROVES THAT IN BUILDING A HIGH DEGREE OF SOCIALIST CIVILIZATION WHICH IS ADVANCED CULTURALLY AND IDEOLOGICALLY, WE MUST EDUCATE AND ENCOURAGE THE MASSES BY MAKING FULL USE OF COMMUNIST IDEAS EMERGING IN ACTUAL LIFE.

Generally speaking, there are two ways to imbue people with communist ideology, which is a scientific ideological system. One is to learn communist theory, and the other is to learn communist ideas in actual life. Theoretical study is very important. If we do not know revolutionary theory and the laws and trends of social development, and if we do not know why capitalism is doomed to failure and socialism is bound to triumph, we will be unable to foster a scientific communist world outlook. Furthermore, learning communist ideas in actual life is indispensable to accepting and grasping communist ideas. The healthy growth of communist fighters in our revolutionary contingent is a process of learning and absorbing revolutionary theory as well as a process of learning from the practice of communism. Most of them embarked on the revolutionary road just by learning communist ideas in real life. In understanding objective facts, people have to undergo a process of traversing from practice to knowledge and from knowledge to practice as well as from the concrete to the abstract and from the abstract to the concrete. It is the same case with people accepting communist ideas. Not long after the victory in the October Socialist Revolution, Lenin attached great importance to educating the people and arousing the communist consciousness of the masses by means of "common but vivid facts concerning communist construction which come from life and have been tested by life." ("Selected Works of Lenin," Vol 4, p 8) This is the significance in the activities of learning from heroes and models and it is the reason why such activities can give a powerful impetus to the people.

With the implementation of the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee, a large number of heroes and models have been emerging from the whole Army and other fronts throughout the country in the great practice of building and safeguarding the motherland. Attaching primary importance to the interests of the motherland and people, they readily give up their all when needed by the motherland the people. At ordinary posts, they study hard, quietly immerse themselves in hard work, and are bold in making innovations. For the realization of communist ideals, they work diligently of their own free will over a long period of time. In daily life, they disregard their own interests, sacrifice them for the sake of others, and serve the people wholeheartedly. In tough circumstances, and even in a perilous position, they still believe in communism firmly. Their meritorious deeds are different in characteristics, but they are in essence marked by a common ground--cherishing lofty communist ideals and giving their lives to the realization of the ideals. Many people have said that the noble moral character of these heroes and models and their progressive deeds are vivid educational materials for education in communist ideology.

At present, our country still lags behind in the economic and cultural fields and there are still many imperfections in the newborn socialist system. All this makes it impossible for us to absolutely prevent some members of society and some of our party members from moral degeneration. The 10-year internal disorder and some other factors have created many problems in our party conduct and general social conduct. On the one hand, we must adopt effective measures to improve the standard of social conduct; on the other hand, we should guide to a correct course some one-sided views of taking the appearance of things as their essence and mistaking the non-essentials for the essentials, because these views hinder people from being educated in communist ideas. The communist death-defying spirit set alight by these heroes and models and their awe-inspiring righteousness of giving their all to the country are lashing the disgusting phenomena and ugly souls who are discrediting the reputation of our party and communist course and contaminating the body of socialism. The glittering sparks flying from the heroes and models and their spirit of overcoming unimaginable difficulties and making unbelievable sacrifices for the realization of lofty ideals mirror the wholeheartedness of communists in serving the people. From these heroes and models, the masses are deeply convinced and inspired that our party and our country are both full of promise and they come to know that communist factors can also be found in our daily life. Therefore, the activities of learning from heroes and models are most convincing and inspiring because we can hear people with lofty ideals, a sense of discipline, and the spirit of sacrifice talking about ideals, discipline, and the spirit of sacrifice. Many comrades have said that when we found a few party members seeking personal gains in the past, we said to ourselves that communism no longer promised high hopes of success. However, now we come to understand that people like these heroes and models are real representatives of our party and their meritorious deeds convince us that communist ideals are attainable.

At present, some erroneous ideas prevail among a small number of people. They think that communist ideals are "unobtainable," and they proceed in everything from "benefits" and "put money above all else." Such erroneous ideas must be criticized and corrected through education. General principles sometimes cannot convince people. However, the vivid, simple, and unadorned reports by the heroes and models can rouse the deaf and awaken those who will not hear. People are deeply pondering some questions. The living conditions on forward positions are too hard to imagine, but these heroes and models would rather give up the chance of going abroad or taking a more advanced course of study to mount the trenches. The extra allowance to soldiers on the frontline is only 10 yuan or more per month, but they would rather give up the chance of becoming "10,000 yuan households" to give their youth and lives to the cause of safeguarding the motherland. What strength makes them do so? For fame, for gain, or for some other "benefit"? It is none of these. Soldiers on the frontline furnish a proper answer to this question, saying: We know ease and comfort too, we need the warmth of family too, and we treasure our valuable lives too, but one thing which is more valuable than all these is communist ideals and the iron discipline of revolutionary soldiers. We are willing to give our all for this. After pondering these things and contrasting the heroes and

models with themselves, many comrades have changed their way of thinking and attained a more lofty realm of thought.

Comrade Deng Xiaoping pointed out recently: "With common ideals, we have strict discipline. Now, as in the past and in the future, that is our real strength." Our party has such strength, our country has such strength, and our Army has such strength too. Our heroes and models are incarnation of such strength. The problem is how to give fuller play to such strength. To attain it, we have a lot to do. The present drive of propagating and learning from heroes and models is one of the effective measures for this purpose. By spreading the meritorious deeds and noble ideas of our heroes and models, such strength will be augmented 10 times or even 100 times. In this way, the strength of the minority will become that of the majority, of the whole society, and of the entire Chinese nation. Communist ideology will touch the hearts of vast numbers of cadres and the masses, and people will put ideals into action and conscientiously observe discipline. Bringing such strength into full play will give an inestimable impetus to the four modernizations.

II

MERITORIOUS DEEDS OF HEROES AND MODELS ARE LIKE A MIRROR. FROM THEM EVERYONE CAN FIND THE REAL VALUE OF LIFE, THE CORRECT WAY TO OBSERVE SOCIETY, AND HIS RESPONSIBILITY FOR SOCIETY, AND CAN DRAW A CLEAR DISTINCTION BETWEEN THE BEAUTIFUL AND THE UGLY AND BETWEEN THE GOOD AND THE BAD. THE ACTIVITIES OF LEARNING FROM HEROES AND MODELS ARE EFFECTIVE MEASURES TO ENLIGHTEN THE PEOPLE BY POSITIVE EXAMPLES, AROUSE POSITIVE FACTORS, AND ENCOURAGE THE MASSES TO EDUCATE THEMSELVES.

In building a socialist civilization which is advanced ideologically and culturally and in enhancing people's communist consciousness, we must adhere to the principle of settling questions of an ideological nature mainly by the method of persuasion and education. Such education must be convincing and have good ideological contents based on actual conditions in a rich, colorful, vivid, and lively form. We must criticize erroneous things, and we must repudiate, expose, isolate, ban, and take strong measures against reactionary and decayed things which are poisoning the people. However, we must stress enlightening the people by means of positive examples. This is because:

First, thanks to the excellent socialist system, the correct leadership of our party, and the dominance of Marxist ideology in our country, the masses have a vast reservoir of enthusiasm and creativeness for socialism, and heroes and models and their meritorious deeds shining with communist ideology are emerging one after another. Most of our people are eager to seek truth and make progress, and their spirit represents the main trend of our society. It is therefore entirely possible for us to expand the communist ideological position and push forward the building of a socialist civilization which is advanced ideologically and culturally by supporting and propagating advanced models and heroes emerging from among the masses.

Second, to overcome ideological weaknesses found among the people, we must carry out convincing education and enlighten and encourage the masses to educate themselves. We must resolutely discard the previous practice of wantonly criticizing ideological weaknesses found among the people from the higher plane of principle, because the result is just the opposite of what we wish. In our political work in the Army, we have consistently placed emphasis on learning from advanced models and bringing all positive factors into play. Comrade Zhu De once pointed out: "In our revolutionary Army, everybody has an enterprising spirit. What leaders ought to do is to arouse and guide this spirit so as to enable them to fight together with one heart for the revolutionary war. This determines the principles of education in our Army. What is important is that we must educate and encourage the masses through good examples, and we should not always rebuke or even reproach them with intimidation. If all of them are enabled to work with enthusiasm, have the urge for improvement, and adopt a forward-looking attitude, our work will take a big stride forward and we will be able to sweep away all evil trends in the course of advance." ("Selected Works of Zhu De," p 121)

Our heroes and models maintain flesh-and-blood ties with the masses because they come from the people and are bred by the people. They have the noble character of serving the people wholeheartedly, carry forward the fine traditions and virtues of the Chinese nation, and continuously derive rich political nourishment from the masses. They are core members in propelling the people's cause forward triumphantly and play the role of a bridge between the party and the masses. The people are proud to see more and more heroes and models growing up and emerging, and the growth of these representatives of the advanced gives confidence and strength to the masses in building a glorious future. The profound social significance of the activities of learning from heroes and models is: The masses can find common language from heroes and models on the major issues such as the value of life, their responsibility for society, and the future of the motherland, and they can also be educated and enlightened by the noble moral spirit of these heroes and models to correctly deal with the interests between the state, the collective, and the individual and approach problems concerning love, marriage, and family and problems of how to adopt a correct attitude toward life and death, hardship and joy, and honor and shame. Through the activities, the masses will be able to see their own deficiencies and seriously think over the following questions: Under the same conditions, or even under some better conditions, why can't they do what heroes and models do? What should they actually learn from heroes and models? The activity of thinking of heroes and models whenever we come across problems with regard to work, pay, difficulties, honor, and ideals, and the activity of learning from soldiers on the frontline and giving mutual support and inspiration, which were recently unfolded among workers and staff members of many factories and enterprises, have produced a very good effect on society.

The process of learning from heroes and models is, in fact, a process of self-education by the masses. With the development of society, the rise of cultural level, and the increase in ability to think independently, the

masses, especially young people, like to establish conclusions on things through their own observations, analysis, and comparison. During the current itinerant report activities by the PLA heroes and models, no one has been forced to accept certain points of view and to do what they say. However, people like to listen to what they say and read stories about them. Impressed by their reports, many comrades have said: Meritorious deeds of our heroes and models are like a mirror. From these deeds, we can understand the real value of life and can find the correct way to observe society and the responsibility we bear for society, and we can virtually draw a clear distinction between the beautiful and the ugly and between the good and the bad. It is thus clear that expanding the activities of learning from heroes and models and encouraging the masses to subject themselves to education by the advanced of our times are an easy approach to self-education by the masses.

III

THE GROWTH OF THE HEROES AND MODELS IS A LIVING TEXTBOOK ON HUMAN LIFE. CARRYING OUT ACTIVITIES TO LEARN FROM THE HEROES AND MODELS IS AN IMPORTANT CHANNEL FOR TRAINING A NEW GENERATION OF COMMUNISTS.

The fundamental purpose of our effort to build spiritual civilization is to train a new generation of communists who have a high level of scientific and cultural knowledge and communist consciousness. The growth of the new communist fighters generation after generation is a guarantee for and a symbol of the prosperous and healthy development of our cause. The new generation of communists cannot be brought up without a foundation. They bear the characteristics of our times and always carry forward and develop the fine quality of the heroes and models of the older generation. Although in a certain period there are only few advanced people, their glorious deeds and lofty ideas will be spread all over the land like seeds and then take root, blossom, and bear fruit and become spiritual grains for nourishing generation after generation of new communists who are greater in number and are at a higher level. Like the surging Chang Jiang, heroes are emerging one after another at all times. This is the law governing the advance of our cause. While reviewing the paths they followed, almost all the 52 comrades of this heroes and models reporting team mentioned how they had been vigorously inspired by the deeds of the heroes and models of the older generation. As a result, thousands upon thousands of new heroes, new Huang Jiguang, new Qiu Shaoyun, new Dong Cunrui, and new Luo Guangxie have emerged during the war to counterattack the Vietnamese in self-defense. They have formed a new generation of the most beloved people. After listening to their reports, many young students and workers have made up their minds to learn from the heroes, follow their path, and make greater achievements like the heroes.

The reason the activity to learn from the heroes and models have had such strong repercussions is that from the growth of the heroes and models people can learn a lot of things such as how to temper themselves in struggles and how to strengthen their confidence in communism through practice so that they can become more useful to the state and the people. Among the members of the PLA heroes and models reporting team, there is a fighter

called Sheng Qishun. He had just come from the front. In the past, Sheng was a very selfish person who "never did anything that could make him suffer losses." In the baptism of fire, he was educated by the exemplary role of the communists, thus strengthening his faith in communism. In an effort to save his comrades-in-arms he himself was seriously wounded. On the Laoshan front, there was a women's ambulance corps. Twelve of its members were married and had children. It is natural that people often think of their homes and children when they leave them. This is especially so for the women comrades. However, in the interests of the motherland and the people, the members of this ambulance corps fully devoted their great maternal love to the fighters on the battle front. Huang Caifang is a "pacesetter in building spiritual civilization" of the Lanzhou Military Region. She was once treated unjustly for more than 10 years. Her husband died of cancer, and she is also suffering from the same disease. However, her firm faith in communism has never shaken. She never forgets her duties as a Communist Party member and has made unremitting efforts to ease the patients' suffering and take care of their health. There are many other similar examples in our Army and on all fronts in our country. Their deeds tell us that the growth of the heroes and models has never been smooth sailing. Like all of us, they have also encountered all kinds of difficulties and many setbacks in their lives. In their minds, there have been many contradictions, much sorrow, and many struggles. It is only because they have put the interests of the motherland and the people in the first place and taken communist ideals as their spiritual prop, that they are able to make a correct choice at the critical moment and do great deeds that inspire the people and shake heaven and earth. The path of their growth is a living textbook on human life which is attractive to all those who have made up their minds to become new communist fighters.

Can the new communist fighters emerge only on the battlefield? Of course not. In the period of peaceful construction, the heroes and models emerging on the battlefield are in the minority. On China's vast land of 9.6 million square kilometers, in factories, the countryside, organs, schools, and shops, more heroes and models are doing extraordinary deeds at their ordinary posts. On the battlefield, there are certainly more severe tests of life and death which require us to possess dauntless revolutionary spirit and indomitable heroism. But in our routine work and daily life, there also exist many contradictions between public and private interests, between sorrow and happiness, and between personal and collective interests. How to correctly handle these contradictions is also a kind of test for each person. It also requires us to possess a spirit of serving the people wholeheartedly and of self-sacrifice. Fundamentally speaking, there is no essential difference between the tests in peacetime and wartime, except the difference in environment. At present, some people are saying that "soldiers do not necessarily die on the battlefield." Is this not true? It is necessary to learn from the heroes and models and make everyone understand that all their work posts are positions for them to fight for communist ideals. It is necessary to encourage more people to work diligently and conscientiously on their respective posts in order to fight for the realization of socialist modernization and to endeavor to guide their work, study, and life with the ideals of communism.

The emphasis of training a new generation of communist fighters should be laid on youths. The more than 200 million young people in our country form a connecting link between the older generation and the coming generation. They are the most active force in the current construction projects and the pillar of our cause in the future. Because of this, they are the main target of our education in ideals, morality, culture, and discipline. Most of our heroes and models are young people of this generation. They have many similar experiences, environments, ideas, and feelings with other youths of the generation. Their practice has answered a fundamental question that many young people are now pondering and exploring, that is, why do people live, or what should people do when they are alive? The advanced deeds of the heroes and models have reflected what the youths of the 1980's are thirsting for and pursuing and have answered the demands and expectations of the broad masses for the young people. They are not mere repetitions or imitations of the deeds of the older generation of heroes and models, but bear the characteristics of the young communists of the 1980's. With their real action, the heroes and models have made themselves lofty images in the hearts of young people. With their blood, lives and sweat, they have answered many long-standing questions for the young people. Affected by the "Great Cultural Revolution," many young people have encountered various setbacks in their lives and work. They can easily feel self-abased. The unremitting pursuit of the heroes and models for the ideals of communism and the answers for human life they have found on the battlefield of blood and fire are the outstanding contributions they have made in their ordinary posts. These have helped enhance the confidence and strength of the youth in their advance. From this we can see that to carry out activities to learn from the heroes and models, to educate young people by means of advanced deeds of the people of the same age, and to educate the youths of the 1980's with the exemplary deeds of this time is an important channel for carrying out education in ideals, morality, culture, and discipline, and training a new generation of communist fighters.

Our era is one of fostering heroes and models. Our country is one where heroes and models are emerging generation after generation. With the development of the activities to learn from heroes and models, there will surely be a steady flow of advanced people in our country, which will bring about a vigorous development of the construction of socialist spiritual civilization.

/6091
CSO: 4004/23

THE TREMENDOUS STRENGTH OF IDEALS

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 31-33

[Article by Zhang Haifeng [1728 3189 1496]; capitalized passages published in boldface]

[Text] On 20 February 1985, China successfully established the Great Wall Research Station at the South Pole, and for the first time ever the vibrant five-pointed red star flew over Antarctica, fulfilling the wishes of a billion Chinese people. Currently, the second Antarctic research team is just about to set off on its long journey to the South Pole.

Antarctica, this ancient and mysterious continent, contains rich natural resources, and constitutes one of the globe's as-yet-unexploited treasure troves. It is now over 200 years since mankind first set foot on this land. Since the 1950's in particular, many nations have established stations at the South Pole. However, even though China became a member of the Antarctic Treaty in 1983, since it had not set up its own Antarctic research station or started independent research works it had no right to vote on international affairs concerning the South Pole. This situation was not China's international status. In order to put an end to this historical era, to fight for the glory and prestige of China and its people, and to make the necessary contributions to mankind's peaceful use of the South Pole, China's Antarctic research team bravely set out for the South Pole and performed a meritorious service.

Just before the first research expedition set out, Comrade Deng Xiaoping wrote the following inscription: "Make contributions toward mankind's peaceful use of the South Pole." On the eve of their departure, responsible comrades of the central government received them, giving them much sincere and earnest encouragement and advice. The many people of China went through many channels to express their warmest hopes and concerns for the research team members. The party committee and branch members in charge of establishing the team made great efforts throughout on ideological and political work centered on education in ideals. They also carried out a series of highly directed and lively teachings. During the whole process of the research, every time the state sent telegrams of praise or greetings, party committees and branches immediately put them out for general reading, making the comrades aware each step of the way of their country's concern

and warmth. All the concern and encouragement shown by the party and the people made each member of the research team consciously turn the great trust of the party and state and the hopes of the people into their own ideals, and gave them boundless strength to make strict demands on themselves.

IT WAS EXACTLY THESE IDEALS WHICH GAVE THE RESEARCH TEAM MEMBERS THE SPIRITUAL BASIS NECESSARY TO MAKE FULL CONTRIBUTIONS TO THEIR COUNTRY AND THE ANTARCTIC RESEARCH. The South Pole has always been known as "the continent of white death," the "hurricane pole," the "freezing pole," and the "pole of ice and snow." The natural environment there is terribly harsh. The research team members were deeply aware that the road to the South Pole would be terribly arduous, and that without a certain amount of sacrifice, maybe even of life, success would be extremely difficult to attain. But they said: "How many times in your life do you have the opportunity to go to the South Pole as a representative of China and its people? Even if it were harder and more tiring, we still wouldn't begrudge it." "The greatest glory lies in rendering service to one's mother country and developing China!" Around a year ago, assistant researcher Jiang Jialun fell into a glacier during the Antarctic research trip, almost losing his life. Before he had entirely recovered, and in spite of the protests of his leaders and comrades, he insisted on going back to the South Pole. Another assistant research member, Dong Zhaoqian, had been to the South Pole three times already, but always worked in other countries' research stations. In order personally to participate in the establishment of China's own research station, he went back once more with a pure heart on the road to the South Pole. Some scientists and researchers even prepared to sacrifice their lives. Under the plate glass tops of their desks they left this note: "If I should die, please bury me at the South Pole, and on my gravestone inscribe the words: Chinese person." When carrying out research on the Antarctic Circle, the Xiangyanghong No 10 boat and its crew of researchers ran into an extremely fierce hurricane, with a wind speed of 34 meters per second. Huge waves covered the sky, the boat rose, fell, and pitched badly; the fifth deck was damaged in six places and the main deck's reinforcements had holes in four places. There was a real danger of the boat being smashed to pieces. But the comrades kept cool, sticking to their posts and not panicking. Wang Rong and the six other scientists risked their lives, fought their way onto the wave-washed stern deck, and used their last ounce of strength to save the measuring instruments. When the Great Wall Station's rainproof metal iron sheeting was ripped off by a hurricane, the research team members tied ropes to their waists, climbed onto the 5-meter-high roof, and risked their lives repairing it. This kind of indomitable will and determination to contribute one's life to the motherland fully demonstrates that when people are inspired by a lofty ideal, they can display a tremendous degree of strength and bravery in times of difficulty.

IT IS JUST THIS SORT OF IDEAL WHICH GIVES THE RESEARCH TEAM MEMBERS THE INDOMITABLE SPIRIT TO SUFFER HARDSHIP, MAKE HUGE EFFORTS, AND GET OVER ANY DIFFICULTY, NEVER BEING PUT OFF BY ANY HARDSHIP. The transportation of materials to build the station was an extremely difficult task. The 54 members of the Antarctic research team worked day and night in all kinds of

weather. Some comrades had the skin taken off their hands and their shoulders were worn to bleeding. Some comrades had to drive both tractors and cars, driving without a proper break for 3 days and sleeping as soon as they stopped the vehicles. When building the Great Wall Station pier, team members stood in bone-chilling water, facing the cruel waves. They built the pier, forcing the struts one by one into the sea with their bare hands. The basic structure of the pier was completed after 5 bitter days and nights, but was soon severely damaged by huge waves. Ignoring the dangerous conditions, everyone rushed into the sea, struggled against the fierce waves, and used their own bodies to protect the pier. Building the foundations for the station's dormitory block was even more of a desperate fight against the clock, with the team members fighting just as in the days of the revolution, ignoring their personal safety. The original schedule for this project had been 3 days, but it was completed in only 1 day. One scientist in his 50's often struggled in the tiny, dark bathroom which was used temporarily as a laboratory, steeling himself against the strong smell of formaldehyde and working for several hours at a stretch. These indomitable spirits and heroic acts were an important factor in the success of the Antarctic research, and a demonstration of the strength and vitality of ideals.

WITH JUST THIS SORT OF IDEAL, THE TWO TEAMS WERE ABLE TO UNITE, COOPERATE CLOSELY, FIND A UNITY OF WILLS, ALL PULL TOGETHER, AND DISPLAY A HIGH DEGREE OF COLLECTIVE HEROISM. The research team consisted of a total of 591 members from 60 different units from all over the country, each with his own situation and tasks. However, they had a clear awareness of the need to rely on the wisdom and strength of all if such a complex and arduous task as the building of the research station was to be accomplished. Therefore, at each stage of their works they were all able to look at the overall situation and stress party spirit, friendship, good habits, and understanding. Nobody fought for personal fame or interest, nobody compared their treatment to that of the others, nor did they stress the interests of themselves or their units above others. All the specialists from both teams did their best to cope with difficulties personally and make things more convenient for others. During the most difficult days of the project, the officers and men of the Navy on ship J121 organized a shock troop on their own initiative and went into the battle to build the station. They arrived at the construction site each morning, and even though soaked to the skin by the waves, threw themselves into battle immediately, working on the most difficult areas. They worked and sweated with the research team in all tasks, whether digging foundations, pouring cement, setting stilts, or putting up walls. They also assigned a team of technicians to live on site, solving one technical problem after another. The Xiangyanghong No 10 ship transported over 300 tons of materials over a total of 10,000 nautical miles. The sailors didn't stop to rest after arrival. They immediately helped the research team carry materials off the ship, onto small boats, and through the wind and waves to the site, thereby saving precious time for construction. They did their best to help find needed materials. They also looked after the team members by finding ways to make them beancurd and toast. Common ideals and friendship enabled these people to establish an intimate comradely relationship, relying on each other in difficulties, going through thick and thin together, encouraging each other, and working in unity, such that the research team maintained optimism and lofty spirits throughout the project.

THIS SORT OF IDEAL GAVE THE RESEARCH TEAM MEMBERS A HIGH DEGREE OF ORGANIZATION AND RESPECT FOR DISCIPLINE. "STRICTLY ENFORCING ORDERS AND PROHIBITIONS" BECAME A HABIT. Discipline is the guarantee for realizing ideals. The Antarctic research project constituted an expeditionary mission carried out under very special conditions. All manner of unforeseen difficulties and accidents could occur at any time. Without strict discipline, it would be absolutely impossible to shift hundreds of tons of equipment onto boats, transport them to the coast, organize 591 people from 60 units into a sturdy fighting collective, or establish an intimately coordinated "fighting" force on sea, air, and land. It was with exactly this attitude as a starting point that the organizers of the research team drew up a series of rules and systems and carried them out strictly. All members, from whichever unit, no matter whether they were experts, teachers or technicians, cadres or workers, saw themselves as ordinary members of the team. They showed unified discipline without exception, such that all orders and prohibitions were enforced. Any work, as soon as it was delegated, was carried out by all and on schedule. During the process of construction and research, no matter what the weather or whether people were just eating or sleeping, as soon as the director gave an order, everyone rushed to his post. The journey to the Antarctic passed through many countries, but each time the ships reached a foreign port, the entire team was able consciously to respect overseas discipline and protect the country's honor and prestige. For this the team received high praise from the local people and government officials.

The experience of China's first research project in the Antarctic proves that as soon as ideals take root in people's minds, on a certain material basis and through practice, these ideals can be turned into massive material strength. Of course, the fact that the research team's ideals were able to form and be realized is closely connected with the following conditions:

First, all the 591 members who took part in the project had the sincere aim of working for the glory of their motherland. "Use our flesh and blood to build our new Great Wall" was a strong, ringing slogan which both encapsulated their own ideals, and expressed their sincere wish to realize them. When they learned they would have the opportunity to participate personally in China's first Antarctic research expedition, they and their relatives and friends felt boundless glory and pride.

Second, the people of the whole country gave massive spiritual and material support. Many of the building materials and instruments necessary for the research were manufactured quickly, were produced on time from whichever unit was asked for them. From the day the research team left, China's billion people watched their progress with great warmth and concern, happy over their successes and worried about the difficulties they met. Many units and individuals expressed their concern for the project in different ways. At the same time, relevant units within the country worked in close coordination, ensuring that all the letters of encouragement and support got to the team from their family members. This had a special educational and propaganda value.

Third, cadres and Communist Party members set examples, making strict demands on themselves. Leading cadres were both commanders and fighters, both organizers and implementers, each taking on a dual role. During the most trying days of the struggle, they were to be found wherever there was the most difficulty or danger.

The organization of China's first Antarctic research team and the construction of its first station constitutes a great and heroic deed. The team members fought terrible waves, rushed into icy areas, and used their sweat and blood, wisdom, and willpower to write page after colorful page of a new historical chapter. Their entire sea voyage over the Pacific and Atlantic Oceans to the Antarctic Circle was over 84,000 kilometers in length, equivalent to one-and-a-quarter times circumvention of the globe, an unprecedented feat in the history of China's marine research and sea travel. They managed the successful construction of China's Antarctic Great Wall Station in only 45 days, and in the same year managed to turn the planned summer station into an all-year-round station. In the vast, 100,000 square kilometer territory of the Antarctic Ocean, they developed comprehensive multi-science research, gathering research data for depth research at 3,000 nautical miles and for gravity and magnetic pull research at 2,000 nautical miles, 60,000 pieces of statistical marine research data, and several hundred biological specimens; they achieved breakthroughs in 14 research projects. In the infinite, desolate wastes and the ravages of Antarctic wind and waves, the research team members overcame unimaginable difficulties, went through life-or-death experiences, tempered their thinking, trained their behavior, broadened their minds, enriched their understanding, and learned many things normally impossible to learn. At the All-China Science and Technology Work Conference, Comrade Deng Xiaoping pointed out: "How was it that we managed to fight our way out of tremendous difficulties and bring about the victory of the revolution under such terrific hardships? Because we had ideals, faith in Marxism, and faith in communism." Comrade Hu Yaobang said: "What is meant by ideals, willpower, and promise, is the willingness to exert oneself for the prosperity and strength of the country and its people." The success of the first Antarctic research expedition constituted a lofty symphony of ideals written by all the research team members under the correct policies and concern of the CPC Central Committee and state and the tremendous support of all central ministries and the people of the entire country.

/6091
CSO: 4004/23

MUSIC SHOULD RAISE PEOPLE'S SPIRITUAL LEVEL

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 34-36

[Article by Zheng Bonong [6774 0130 6593]]

[Text] Since the emergence of our nation's new music, it has been directly and inseparably linked with the people's undertakings and the nation's fate. The left-wing music movement which had Nie Er and Xian Xinghai [0405 2502 3189] as pioneers all along took as its sacred mission the realization of the people's aspirations and the rousing of the national spirit. Although the democratic musicians, represented by Xiao Youmei [5135 0645 2734], Huang Zi [7806 5261] and others, in several ways cut themselves off from the masses, their outstanding works beat with the pulse of the times in the same way. Regardless of whether we speak of Xiao Youmei's "Questions," Zhao Yuanren's [6392 0337 0117] "Cloth-Selling Ballad," Liu Tianhua's [0491 1131 5478] "Song of Pain," or Huang Zi's "Song Against the Enemy" and "Fluttering Flag," in all of these we can hear the strong feelings of concern for the country and the people. Each generation has its own music. Today, our nation has entered a new period, far different from the past. Our lives are not only very different from how we lived in the war years but also very different from how we lived in the early years after the founding of the PRC. The world has changed, China has changed, people's social mentality has changed, and people's aesthetic standards have also changed. Today, then, what image should our music take on and what appearance should the masses' musical lives assume?

Many comrades call for the reform of music. Clearly our music is faced with thoroughgoing reforms. This is a demand of the times and also a requirement of the development of the musical art itself. Not only does the system of artistic production require reform; the contents and forms of music also require reforms. We cannot rely on singing and performing traditional melodies of days gone by. However, there are many traditional melodies which still have great vitality today and these should be continually introduced to audiences. Likewise, we should not simply follow traditional methods when depicting today's life. However, traditional music has accumulated rich artistic experiences and these should be inherited. We need to create a new language and a new style to express the new times. Reform--this is the common hope of the vast numbers of comrades in music circles. The problem lies in where the reform is to lead and how it is to be carried out.

Some comrades believe that, in the same way as production and science need to be modernized, music should also be similarly modernized. They see the most pressing task as drawing in the newest results from Western contemporary music, so that our music can quite quickly catch up with the new tides of development in world music. It cannot be said that this idea contains no rational points, but in general the principle is not sufficiently scientific and thus will have difficulty in gaining people's support.

Without doubt, we need to put great efforts into introducing and studying the new trends and new achievements in Western musical development. We have certainly not done too much work in this respect and actually have done too little. In the past, we introduced and studied to a certain degree the composers and works of the Western European classical music schools. However, we have done extremely little in terms of introducing and researching contemporary Western music since Debussy and Mahler. It can be said that we are utterly ignorant in this field. We need to greatly strengthen work in this respect. However, introducing and studying foreign music is for the purpose of having a reference in the creation and development of our own socialist new music with national characteristics. It is not for "changing" our nation's music into Western music or the music of Hong Kong and Taiwan. Marx and Engels pointed out that in the capitalist period, a "world literature" would form. This refers to the removal of national barriers in culture and art, so that the products of culture become common property of the world. It does not mean that the national characteristics of literature and art will have disappeared and there there will be the need to create a unified international "world literature." The authors of the Marxist classics never negated the national characteristics of literature and art. Engels required that "German folk-story books should still have the healthy, upright German spirit." ("Marx and Engels on Art," Vol 4, p 401) When appraising the German poet A-lun-te [7093 0243 3676], he said that German ideas should be manifested through a distinctive German form. Music is a form of consciousness and thus cannot avoid having ideological tendencies and national characteristics. This is greatly different from the natural sciences. Socialism and communism each have their own requirements of literature and art and each have their own standards of assessment. Even if there only existed two different social systems in the world, inevitably there would exist two cultures of different natures. It is thus not possible to have artistic standards which are adhered to throughout the world. On the one hand, we cannot refuse to draw in the accumulated achievements of Western music, while on the other hand we cannot confuse the boundaries between the two cultures. As to Hong Kong and Taiwan music, inevitably it mainly has a Western slant. Of course, it includes some good works but it does not need to be said that, in accordance with the lifestyles there, there is much of a vulgar and low-level nature. Of course, we should not reject that music of Hong Kong and Taiwan which is progressive and healthy, or those light music groups which bring joy to the people. However, this does not mean that we should bring to the mainland those musical practices which accord with capitalist lifestyles. Take, for example, songs such as "When Will He Come Again," "Roses Blooming Everywhere," and "May Wind." Actually, these were created on the Shanghai riverfront in the 1930's and 1940's. They were not even considered top-quality songs in the capitalist world. Because these songs express the sentiments of lives lived in intoxication or dreams,

or lives of luxury and dissipation, after the whole country was liberated the vast masses of the mainland gradually came to spurn them and they only continued to be popular in the Hong Kong and Taiwan regions. If these sorts of things are the "new tide" and the copying of such things is seen as blazing new trails, then things really will regress.

At the National Conference on Scientific and Technological Work, Comrade Deng Xiaoping pointed out: "We must regularly educate our people, especially our youth, to have ideals." "We are engaged in the cause of socialism, and the final aim is the realization of communism. I hope that in propaganda this point will not be overlooked at any time." "Our newspapers, televisions, and all propaganda work areas will pay attention to this question." "We must particularly educate the next generation and the subsequent generation in the necessity of establishing long-range communist ideals." These important ideas again clearly point out the direction for ideological and cultural work. The reform of musical art cannot be divorced from this direction. Our reforms are for the purpose of speeding up the building of spiritual civilization and for developing and enriching socialist new music. Thereby, this music will better serve the people and the four modernizations. The reforms include the artistic forms, and the most important thing in this respect is the ideological contents. If we divorce ourselves from the reflection of the new times and divorce ourselves from the reflection of the advanced ideologies of the times, how can new trails of real significance be blazed? Music does not directly undertake the task of disseminating communist theory. However, it should fully manifest the people's noble spirit of dedicating themselves to the causes of socialism and communism. Why have the songs "In the Field of Hope" and "Full Moon," which have appeared in recent years, been so warmly received by the people? Not only are their melodies outstanding and characterized by freshness, but they also grasp, quite well, the characteristics of new modern man's spirit and manifest a fairly high ideological level. Thus, while it is enjoyable to listen to, the music can also provide people with positive spiritual strength. Music is a "romantic" art, and it should thus play a strong role in manifesting revolutionary ideals. Of course, stressing this point does not mean that all music creations are required to achieve the ideological level of communism, or that music can only be written about the four modernizations or in praise of the socialist motherland. We need to greatly raise the ideological nature and artistic nature of musical creations. At the same time, we need to pay much attention to the diversity of musical creation. People need to be roused and they also need to be entertained. They need marches imbued with struggle and also need light music and lyric melodies. However, regardless of what type of music creation or performance we speak of, they should all have a fairly high quality of style and be of benefit in purifying people's spirits and promoting people's mental and physical well-being. In the past, we isolated the persuasive function of music from its entertainment role. We only stressed the former and did not pay attention to the latter. When correcting this bias, we must not go to the other extreme and only stress the latter while ignoring the former. We require a unity of the educational role and the entertainment role. Beethoven said: "Music should cause man's spirit to send out sparks." While the progressive artists of times past all placed much stress on the role of music in raising man's spiritual level, we must stress this point in a bolder and more assured way.

At present, a pressing point is the enrichment of musical creation. In the last few years, musical creation has been particularly successful. Regardless of whether we speak of songs, choruses, nationality instrumental music, symphonic music or operas, in all these areas fine, pleasing works have been produced. However, if we speak in terms of the demands of high standards, we should recognize that musical creation is still backward in various aspects. Not only does it clearly lack in terms of meeting the demands of the times, but also its progress is lacking in comparison with sister arts which have developed faster. In the short story sphere, there have appeared works such as "Wreath Below the Peak" and "On Reaching Middle Age" which have reflected the new times in a thoroughgoing way. The music world lacks corresponding achievements. Some people say that correct works usually lack interest, while interesting works are usually not of a high standard. This is clearly an exaggeration as we produce quite a few new works which have both correct ideological content and which are rich in artistic charm. However, as a summary of some areas, this statement has some validity. Clearly, there are many of the following type of works: The composer's aims are good and they really strive to reflect the new life, of the present, but the works end up rather slow and dry, lacking in artistic conception and appeal, and unable to draw people's interest or tug at their heartstrings. Music is the crystallization of life, the distillation of emotions. Many of our works have not reached the high level of distillation. It appears that if we are to raise the quality of works, we need to overcome the tendency toward low standards and style, and at the same time must overcome the tendency toward formulism and generalization. In the situation where there is opening up, art also has the problem of competition. We must strive to raise the competitiveness of our works. With new works having many superiorities and being rich in charm we will be better able to firmly occupy our position and effectively resist the corrosion of our music sphere by unhealthy things.

Flourishing creation depends not only on the efforts of composers. It also needs the support of strengths in various areas. In brief, our conditions for creation are greatly improved over those in the past. The correct literature and art policies since the 3d Plenary Session of the 11th CPC Central Committee have greatly motivated the enthusiasm of composers. However, there are still factors which are not conducive to the flourishing of creativity. Apart from "leftist" influence, the new unhealthy tendencies in the society are attacking music in a way which cannot be overlooked. People have recently expressed anxieties at the situation where some music groups and evening music gatherings put ticket sales revenue and theater results in a position ahead of all else. When arranging performances, they only concern themselves with things which bring in money and things which elicit cheers. They would rather arrange programs of low standards and styles which have a stimulatory nature, rather than arranging the performance of new works of a decent nature. Under the influence of this practice, some important musical works have been squeezed out and some songs which are rich in positive aspects have been left out in the cold. Because operas, choral works and symphonies require large numbers of people and time in their rehearsal, and need much expenditure in terms of cost and time, some groups have not positively supported such works and have even pushed them off to one side. Musical works are only complete after they have been

performed. What gets written on a musical score are but soundless notes. If a work is produced through tremendous efforts, but there is no one to perform or play it, the work will be laid aside and neglected. If this happens, how can it not affect the creative enthusiasm of composers? Although our new works have shortcomings in one or another respect, through trial performance or playing, and through presenting them to the masses and listening to the masses' ideas, the works can be improved and their quality can be raised. Comrade Chen Yun, in talking about the art of pingtan, said: "Artists must strive to create new works to reflect the new times. In respect of new works, if 3 parts out of 10 are good, I will applaud." In looking at new musical works, we should also adopt this attitude. Economic results and theater results should be paid attention, but they should not be placed in a high position. The major task of music groups is not to accumulate funds for economic construction, but to provide superior quality spiritual food. Music must accord with the masses' aesthetic demands. However, this according does not mean pandering to some people's unhealthy interests. In fact, some of the masses are dissatisfied about these low-standard things. Comrade Deng Xiaoping, at the Fourth National Conference of Literature and Art Workers, said: "Whether something is beneficial or harmful to the realization of the four modernizations should be the most basic standard for assessing the correctness or incorrectness of all works." This statement of course is applicable to the music sphere. Not only must composers voluntarily use this statement in assessing their own works, but anyone who is concerned with music should bear it in mind. When the strengths of the various sides are coordinated, and there is common support for new works and the fostering of new styles, then our music will be able to achieve healthier, more lively and more prosperous development.

/6091
CSO: 4004/22

SOME UNDERSTANDING ON METHODS OF LEADERSHIP

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 37-40

[Article by Cui Naifu [1508 0035 1133]]

[Text] These days, a lot of young cadres are taking up leading posts. They are highly enthusiastic, and willing to do a good job, but do not know how to lead. A lot has already been written on leadership methods, summing up valuable experience. But learning how to make this experience one's own requires a process of study, use, and mastering. Herein lies the issue of the relationship between theory and practice. Some comrades say that some theories written in books are divorced from practice, and that they do not know how to utilize them. In my opinion, there is often a certain gap between theory and practice. Theory must have its source in practice, and constitutes the summing up, distillation and abstraction of facts, but once it is raised to the level of theory (including natural science theory), it often describes effects in a model environment. Facts are always much more complex than theory. I was talking with a doctor once, who said that the model symptoms of an illness are all written very clearly in books, but when a patient is lying in bed, the actual symptoms he shows are often different from those in the textbooks, and only with practical experience can the correct treatment be given. Those of us who do practical work must both study theory and take facts as our starting point; we must take into consideration the realities of our work and of our country. Therefore it is necessary to make study classroom lectures diligently, but not to copy them mechanically in disregard of specific conditions. Ultimately, it must be realized that practice, not theory, is the sole criterion of truth; it must be realized that even if everything written in a book is correct, if we do not start with reality when using theory, our work will not be successful. The basic question in the issue of leadership methods is, in my opinion, whether they start with realities.

For a leading cadre of a department or unit, there are some leadership methods to which attention must be paid. My own understanding is as follows:

First, it is necessary to have strategic goals for struggle. This I shall term "resolve." Once the working tasks of a department are decided upon, it is necessary to answer from a macroscopic, higher level of thinking, what

work should be grasped mainly within a specific period of time? Which work is most important, most beneficial to the overall situation? What is the central link of the work? For instance, analyzing the work of the Civil Affairs Administration over the last few years, the most important thing has been to unify thinking, the thinking of the whole of China's civil administration system; to unify thinking in the service of the "four modernizations" and the "quadrupling"; and to bring its work into complete harmony with the central work of the CPC. Of course, the work of this ministry over the last few years could be categorized into dozens of different areas, but the central task has been to solve this issue.

Once goals have been established, leaders must have "patience," and progress toward these goals determinedly and step by step. "Patience" is a quality, an understanding gained from experience. "Resolve" alone is not enough; it is necessary also to explore and pursue the methods by which goals are to be realized. Like the study of an academic problem, problem-solving in practical work has to be done on several levels. A scholar of late Qing and early Republican history, Wang Guowei, used the words of the ancients to express these different levels of academic problem-solving. The first level is: "Last night, the west wind withered the green trees; I climbed the high building alone, and looked out to the farthest horizon." This means that if you are resolved to solve a certain problem, you must stand on a higher plane and take the longer view. The second level is: "His belt may get looser, but the man does not regret it; instead he thinks of ways to get rid of hunger." In order to solve this problem, though the man is already thin and pallid, he still carries on thinking and researching. This shows the need for the spirit of resolve and dedication. The third level is: "You search for him far and wide in a thousand different places; suddenly, you turn your head, and see him standing under the light." This shows that you may search in many places and fail to find a solution, but suddenly you find it, and the problem is solved. When we research problems, we sometimes get this same feeling, that we cannot find a solution for a long time, but one day it suddenly appears; it is really a question of "finding something by chance after traveling far and wide in search of it." What creates the pre-conditions for this sudden change is resolve, examination and research, and repeated exploration. Without this process of putting effort into the search, the sudden breakthrough will never happen. On the surface, the occurrence of a good experience or the production of a good method seem coincidental, but because one has been thinking over the problem for a long time, one's mind already has the concept formed in it, so that though one has not actually had the concrete experience, as soon as it happens, one grasps it immediately. Without this mental preparation, good experiences or methods may slip by unnoticed when they do appear, and the problem will not be solved.

Second, control must be relaxed a little in order to give play to the initiative of people in the department. There is a phrase in management science: "One of the responsibilities of a leader is to exercise control only over those things you ought to manage." Conversely, you should leave alone those things which you ought to leave alone. If a leading cadre is able to create a situation in which his subordinates are all very busy,

while he is fairly relaxed, and is able to find time apart from handling day-to-day affairs to read books, and ponder weighty questions, then he is a good leader. If a leading cadre comes to work every morning to find piles of documents on his desk and a queue of people wanting his advice, while his subordinates sit around idle, he cannot be considered a wise leader worthy of the name. A person's strength and energy has limits, and if he takes too much time over affairs which are not his business, he is bound to overlook those things which are. A leader should absolutely not be always in a hurry, and rush about trying to solve every problem in existence whenever he has the time. He should have the time to sit back and think over general questions. In addition to pondering questions of his own department, he should also consider his department's work from a higher viewpoint, so that he is more in touch with the overall situation, and better able to do his job. From the point of view of the whole situation, a leader must have resolve and energy, and those things which must be grasped he should grasp thoroughly and to the end; while those things it is impossible to do for the moment he should leave alone. He should not give everything exactly the same importance. It is good enough to have one or two breakthroughs a year; seen over a number of years, successes will accumulate. Another implication of the idea that leaders should relax control a little is that they should give rein to everyone's initiative. This is not to say that a leader's responsibility should be lessened; there is a difference in principle here from the sort of bureaucratism which means eating all day and doing nothing. Setting an example and earnestly practicing what one preaches has always been an important moral function of a leader. He must be able to represent, and set the highest standards for, his organization. If others can do something, he should do it first himself. But leaders also should not always stand in the frontline; some things should be delegated to others to manage, and ideas should sometimes come from others. Leaders should take care of the big things, not the small things; they should grasp the key links, not the ordinary. For instance, when drawing up documents, ordinary ones should be drawn up by subordinate cadres, leaving only key documents for the leader to draw up. It is difficult to maintain prestige if one criticizes the work of subordinates but is unable to do it oneself. Leaders should not, then, always be in the frontline, but sometimes it is necessary for them to be there. To act as the vanguard; it is impossible to lead if you do not do this.

Third, it is necessary to keep a constant check on one's subordinate cadres: on how their initiative is doing, what problems of thinking they may have, what practical difficulties they are experiencing, what things are inhibiting their initiative.

When we work, we must rely on a group of people. Specifically, there are several hundred people in a department, around a hundred in an office, and then local and county cadres directly under the leader. The leader must show concern for them and protect them, because only in this way will he motivate their initiative and form a "concerted effort" in one direction. The quality of a leader depends to a large extent on his understanding and appointment of subordinates. For example, whether he works for the common interest rather than his own, whether he treats everyone equally, without discrimination;

whether he takes care of them and helps them; whether his criticisms of them are fair and reasonable; whether he really helps them to sort out practical difficulties, etc. He must both take care of them and have the courage to criticize them. It is right to have the courage to criticize when a mistake has been made. But criticism must definitely be carried out on the premise of achieving unity and taking care of, rather than simply punishing. Historical experience has shown that nobody who has made others suffer has achieved good results. Confucius said: "He who respects people does not bully them; he who is lenient is popular; he who has faith in people gets things done; he who is sensitive to people has power; he who has wisdom can motivate people." I feel that these words may be of inspiration to us in how to utilize cadres. For example, if a cadre lacks accommodation, see if the leader finds a way to help him solve the problem. Of course, sometimes the problem can be solved, sometimes not immediately, but the issue is whether or not the leader is thinking about the problem or genuinely trying to solve it. It is by no means odd if a cadre has ideological problems; the important thing is whether or not the leader makes genuine and sincere efforts to discuss them with him. As long as he is really concerned to help, the cadre will be able to come to an understanding, and the ideological problem will not be difficult to solve. Leaders should encourage cadres to fight for progress, and use goals and persuasion to encourage or guide cadres to make efforts to reach certain goals. For a leading cadre, there is nothing more gratifying than to see a young cadre "blossoming." The rise from ordinary cadre to leader is a process of learning and maturing. In this process, the leader should play the role of teacher or helmsman, helping the young cadre to make fewer mistakes, avoid problems, and progress consistently. If the cadres under you know that you are concerned for them and take care of them, you will be able to guide them toward progress and exploit their initiative.

Fourth, the economic situation must be studied diligently. The central task of the nation at present is economic construction. Through the reform, the work of our department will become more intimately connected with the entire economic situation, and for this reason it is necessary constantly and diligently to review the economic situation. The situation will have a direct or indirect effect on the work of the department. Diligent study and research into it, the maintenance of a clear head, and starting out from the overall situation will enable our work to be more in line with the needs of the situation. If we fail to consider problems from the macroeconomic point of view, we are bound to encounter problems. The understanding of the relationship between the overall and partial situations constitutes an issue worthy of attention in the question of leadership methods.

In studying leadership methods, book learning is necessary, but it is also necessary to use what we have studied in practice, making it our own, and forming it into something independent and unique. Each person will have his own work methods, and his own "good moves." If we sum up these things in practice, they will not be quite the same as the things in books; they could be said to have a certain "individuality." It is difficult to do things entirely according to the book. But it is possible to create individual, effective, and usable work methods.

In current leadership science, we are all at the initial stages, and do not know very much. If we read a few books and diligently sum up our own experiences, this will be of advantage to our understanding of modern leadership science.

/6091
CSO: 4004/23

A TENTATIVE DISCUSSION ON THE TRANSFORMATION AND INHERITANCE OF IDEAS

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 39-41

[Article by Liu Chunjian [0491 2504 1696] and Yuan Xunzhong [5913 6064 1696]]

[Text] The changing of old ideas and the establishment of new ideas is an inevitable requirement for deep-going development of the economic structural reforms. However, the question of what is to be negated and what is to be advocated is certainly not a simple one, as it is related to the Marxist principles involving the relationship between transformation of ideas and inheritance of traditions.

Marx said: "Ideological things are nothing more than material things which have entered, and been transformed within, people's minds." ("Selected Works of Marx and Engels," Vol 2, p 217) The ideas reflected by people's minds in the process of actual life are, in general, concrete and historical. They develop and change in the wake of material production development and of changes in social relationships, and also play a great reactive role in social development. Ideas can be divided into the traditional and the current, and also divided into the new and the old. The traditional ideas which have come down through history are quite complicated. On the one hand, they contain the decadent consciousness of the exploiting classes, but on the other hand they contain the simple and sincere moral excellence of the laboring people. On the one hand, there are the fine traditions of the proletariat formed under the guidance of Marxism, and on the other hand there are mistaken ideas which arose at the time when the "leftist" trends ran rampant. There are some traditional concepts which were originally correct, and which today are still suitable. There are others which were originally correct but which people later twisted or ossified. Some others were originally correct but, as the situation has changed, are no longer suitable. Some were originally wrong, but due to various historical reasons have been inherited. Some are outdated in terms of their basic spirit, while others are outdated in terms of their specific contents but remain appropriate in terms of their basic spirit. Some are outdated in respect of a small number of people or situations but are still appropriate for the majority of people and the majority of situations. Some are outdated in respect of the majority of people and the majority of situations, but which are still appropriate for some people and some special situations. Thus, we must concretely, historically and dialectically deeply ponder traditional concepts.

At present the external pounding of the new technological revolution which is occurring throughout the world and the internal motive force provided by the deep-going economic structural reforms at present being carried out in our country are like two great waves. They are together forming a tide of the turbulent times and deeply influencing and changing our nation's economic, structural, and social life. At the same time, they are violently shaking the consciousness formation sphere. Those outdated ideas which do not accord with objective reality will be replaced by a series of new concepts. Clearly, the overall trend of events requires that changes be made. We cannot be scared of danger, but at the same time, we should recognize that we cannot allow chaotic change.

Some comrades believe that conceptual change means negating all traditional ideas, or say that traditional ideas are all outdated and all require reform. This is a mistaken understanding of the transformation of ideas.

"Transformation of ideas" refers to the changing or abandoning of those outdated or erroneous ideas which have become both theoretically and concretely inert in the historic situation. It is carried out under the guidance of Marxist scientific theory, and by adhering to the ideological line of always proceeding from reality and testing and developing truth through practice. In differentiating the old concepts from the new, the correct from the erroneous, the progressive from the backward, and the superior from the decadent, we should not use the period the concepts were produced or the length of time they have been current as the basis of assessment. Rather, we should examine them in practice and see whether they accord with the demands of a socialist economic base and of the development of the forces of production, and whether they promote or obstruct social progress. Today, all those concepts which reflect the demands of the new times and which are of benefit in the present economic structural reforms and four modernizations are progressive, fine concepts. The others are backward, degenerate concepts. If we divorce ourselves from this standard and principle, we will fall into blindness which will in turn lead to erroneous decisions.

From this we can see that the fact that an idea has been current for a long time does not mean that it is outdated. If an idea is current it does not mean that it must be renewed. In this period of great renewal, we must look at the essence of the various traditional and new ideas in examining them. We cannot just look at the exterior appearance or make an assessment of the actual social situation in a subjective and one-sided way. We must not just disseminate whatever we feel like, without subjecting it to analysis. As to those ideas which have come down through history and which have firm implications, we cannot simply interpret them in an off-hand way. Nor can we obstinately twist them or distort names and actualities. If we divorce ourselves from scientific methods, and do things just to be unconventional, it can objectively lead only to undesirable social effects. Also, we will not be able to bring into play any positive functions. For example, if we criticize the slogans of "arduous struggle" and "building up the country through thrift and hard work," which have till today played a positive role, as being "outdated ideas" and consider some really very outdated ideas

such as "if you make money, you can spend it" and "eating, drinking, and making merry" as "new concepts," this will of course be of no help in achieving the four modernizations. As we engage in modernizing our country, which has a "large population and a poor base," the tasks are extremely great and are also extremely arduous. Since the 3d Plenary Session of the 11th CPC Central Committee, we have realized great achievements and the people's lives have improved greatly. However, we are still far from achieving the goals we wish to achieve this century. Also, we are still at a low level as compared to the living conditions in the world's developed countries. Thus, if within quite a long period, we divorce ourselves from the spirit of "arduous struggle and building the country through thrift and hard work," many affairs will not be handled well. If we do not concern ourselves with the development of the objective situation and arbitrarily or blindly negate this idea or promote that idea, it will have an undesirable effect on our undertakings.

Transformation of ideas cannot be divorced from history. Rather, "it is created through directly encountered, fixed conditions which have been inherited from the past." ("Selected Works of Marx and Engels," Vol 1, p 603) Refusing to affirm "conditions which have been inherited from the past" and starting from the beginning in doing everything will result in it being impossible to form and develop new ideas. To be sure, the historical inheritance nature of these ideas is not one of unconditional and uncritical acceptance, or one that takes in all things. Rather, it is one of eliminating and also retaining, of negating and also affirming. But as to what is to be retained and what is to be changed, what is to be used and what is to be discarded in this inheritance, and what direction development is to proceed in, all, in the end, is determined by the material production and livelihood process at the particular time.

We have the cultural traditions of a long history. They, like other things, have a dual nature. On the one hand, our ancestors created in history an ancient Eastern culture which even today is admired by the whole world. This is a precious legacy which we should inherit. On the other hand, our nation has had continuously, for several thousand years, a feudal society. This created a huge system of feudal traditional ideas, which has left many serious historical burdens and which still today fetters and restricts our nation's creative spirit. This is the feudal dross which we should cast aside. These two aspects are often bound together and it is difficult to discern between them at a quick glance. This requires that we engage in serious research to differentiate them. We cannot treat them in the same way. Thus, in looking at a traditional idea in a scientific way, we first need to look squarely at both its superiorities and its outworn aspects, and their relative stability. Then, we need to dialectically and historically ascertain its function. On this basis, we can get rid of the dross and criticize those maladies which "like a nightmare nag people's minds." At the same time, we can absorb the essence and draw lessons from and transform some of the progressive, desirable, and rational key contents. Finally, we can create ideological modes and action modes which are acceptable to, and needed in, the new period.

The criticism and inheritance of traditional ideas, together with the elimination of the outdated and the creation of new ideas, is an important component part of, and a link which should not be neglected in, the building of socialist spiritual civilization. This is complementary to the present reforms. Comrade Mao Zedong, when resolving the problem of combining Marxism-Leninism with the actual situation of the Chinese revolution, especially stressed "Chinese characteristics." On the question of cultural ideas, he also strongly stressed that they have a "Chinese style and a Chinese manner" and that they have the "characteristics of our nation." This was stressing the principle of both renewal and inheritance. If we only stress inheritance and do not break down the old ideas and develop new fields of activity on the basis of changes and development of the economic base and livelihood modes, then we will not even be able to talk about socialist modernization. However, if before the productive forces have reached a certain level, we obstinately wish to get rid of some of the traditional ideas, that will violate objective laws and produce bad influences in practice. Also, if we only study and draw in the advanced aspects of the various developed countries and do not link up our national conditions with the inheritance and transformation of traditional cultural ideas and the creation of new ideas, we will not even be able to talk about building a socialist society "imbued with our national characteristics." In addition, the degenerate ideology of worshipping and having blind faith in things foreign will develop, and the Chinese people will lose their dignity. It can be seen that developing fine traditions and the reform of the economic structure are not only not contradictory, but are important conditions for guaranteeing the building of socialism with Chinese characteristics. The transformation of ideas, which is an objective demand of economic reform, of course, requires that our ideology is liberated from the fetters of those ideas which are outdated or which were originally erroneous. Each major change in history has had ideological liberation as its guide. Without eliminating the decadent dogmas which have come down over thousands of years and the countless taboos which have been produced by these ossified patterns, reform is hopeless. But, at the same time, we should seriously study traditional ideas so as to get a clear idea of what should be eliminated, what should be established and what should be inherited. "If you have high requirements, you must first thoroughly understand your subject." If we only have a hazy notion of traditional ideas, or set the transformation of ideas against inheritance, the reforms will not be carried out well.

Recently, Comrade Deng Xiaoping has stressed: Our nation's domestic situation is very good. A point everybody's attention should be called to is that, in building socialism with Chinese characteristics, we must adhere to the development of material civilization and spiritual civilization, and we must educate the people of the whole country to have ideals, morality, culture, and discipline. In achieving this, it is necessary, in the process of opening up and reform, to carry forward the cause and forge ahead, eliminate the outdated and spread the new. In order to invigorate China, all ideas which are of assistance to social progress, of benefit in enlightenment, and of aid in raising the level of national spirit and the quality of the spirit, regardless of whether they are old or new, Chinese or foreign, should be drawn in, transformed, and used on the basis of a Marxist stand, viewpoint, and methods. This will better promote the transformation of ideas and the building of the two civilizations.

A TENTATIVE TALK ON REFORM AND PROFIT-MAKING

Beijing RED FLAG in Chinese No 22, 16 Nov 85 p 42

[Article by Jiang Yuanming [5592 0337 2492]]

[Text] The reform is an extremely good thing, and at the same time a difficult one. The difficulty arises not only because we have to progress in an exploratory fashion, but also because we have constantly to get rid of those interferences which hinder the reform under the name of the reform.

For example, some of the strange things happening at present, such as spiraling inflation, falsification of poor quality goods as fine quality goods, presenting false articles as genuine, selling foreign currency on the black market, reselling at a profit, along with cheating and so on, are almost all done under the flag of "reform," "enlivening the economy," and "raising economic efficiency."

Therefore, the reform has been subject to much censure. Some people say that the reform has changed the slogan "serve the people" into the slogan "serve the renminbi."

Though I do not agree with this opinion, to be honest, I did once believe that it was very difficult to serve the people and at the same time improve economic efficiency, especially when I saw phenomena of people "doing everything for the sole purpose of making money."

It was only recently, when doing a survey at the long distance road transport station in Changzhi city, Shanxi, that I came to a new understanding.

Since the opening up of the economy, state-run transportation enterprises have faced challenge and competition from collective and individual transport enterprises, and the "monolithic system" of the past no longer exists. Their opponents have tried all sorts of means to fight for customers. Therefore, in some places, there has been a slump in the business of state-run transport enterprises, and in response these enterprises have "used strength to bully the weak" and tried all means to squeeze out competitors, even resorting to beating up individual transport entrepreneurs.

The Changzhi transport station, on the other hand, relied on reform to give it the initiative. It implemented the systems of "beginning-to-end service" and "overall quality control" to become competitive. The station opened a restaurant, a guesthouse, and a waiting room for passengers in transit; it also provided drinking water free of charge, and started using a mobile ticket office, open 24 hours a day, and ticket offices at key construction sites. It even took care of passengers who fell ill, taking them to the hospital, giving them medicine, and so on. Goods which had been refused transportation before, such as chickens, ducks, dogs, pigs, and bicycles, could now be transported on the roofs of vehicles if properly packaged; and it also implemented a responsibility system, gave out rewards and fines, grasped service and quality, guaranteed safety, and so on. Through this sort of reform, the station genuinely became a "passengers' home," and a "civilized station" famous far and wide. Its economic results improved in three great stages in 3 years; income in 1982 was 3.6 million yuan, in 1983 it had risen to 4.2 million yuan, and by 1984 it had reached 5 million yuan.

So you see, in this station, there was unity between serving the people and improving economic results. The reform had produced rich fruit.

Contradictory things can be brought into line with each other, but there must be conditions for this. Indisputably, reform necessitates improving economic efficiency and developing production, with the ultimate aim of serving the state and the people. Therefore, serving the people is the premise, and on this basis we find ways to improve economic results, like the Changzhi station did. If earning money for private interests is given priority, then the "reform" loses its basis of serving the people, and cannot any longer be called socialism. What significance does this sort of reform have? When fake medicine was manufactured and sold in Fujian, and when imported cars were sold for a profit on Hainan Island, a lot of money was earned, but the people lost out, as did the state, which excited public condemnation and was naturally suppressed and punished!

In today's China, reform is vital, but bad reform will not do. When we judge the success or failure of the reform in an area or unit, we must of course look at economic results, but money cannot be seen as the sole indicator of economic efficiency, neither can raising efficiency be done by simply "doing anything for money." Only by upholding the socialist orientation and the principle of serving the people can we carry out the reform properly.

Eras of great reform often see the good mixed with the bad, and at times like this we should always keep a clear head. When fighting against economic crimes, some people are surprised: How is it that we punish these people when getting rich is being encouraged? Maybe these people have been dazzled by money, and have forgotten the most basic common knowledge: The Communist Party has never advocated getting rich at the expense of the state and its people!

/6091
CSO: 4004/23

WHY IS IT NECESSARY TO EXPAND THE SCOPE OF REGULATION BY THE MARKET MECHANISM IN THE RURAL AREAS?

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 43-44

[Article by Ding Shengjun]

[Text] By now, China's rural areas have entered the historical era of the transition from traditional to modern agriculture and from a self-sufficient or semi-self-sufficient economy to a commodity economy. One important way of promoting these "two shifts" is to expand regulation by market mechanism in the rural areas under the guidance of state plans.

At the present time in China, there are three forms of commodity production regulation: mandatory plans that have binding force; guidance plans, which mainly function through use of economic levers; and total market regulation. Any of these three forms must be established on the basis of the law of value. The oft-mentioned guidance plans use the law of value and economic levers to regulate production, circulation, distribution, and sales, making the whole of the economy develop in a coordinated way. Regulation by market mechanism, on the other hand, consists of regulation wholly through supply, demand, price, credit, interest, competition, and the causality relationships between them. State plan guidance and market mechanism regulation each have their special functions, and are even more effective when used in concert. Put simply, expanding market regulation under the guidance of state plans means using both methods simultaneously, and using market regulation more under state plan guidance. Why should we do this?

First, it is necessary for the development of a planned commodity economy in the rural areas. At present, the development of the commodity economy in the rural areas is on the rise, and production is, to a greater and greater degree, being commercialized and socialized. In 1984, total sales of agricultural sideline products and industrial products in China's rural areas amounted to 264.71 billion yuan, of which the total sales of agricultural, forestry, animal husbandry, nonstaple foods, and fishery products amounted to 167.57 billion yuan, an increase of 24.47 billion yuan over the previous year, and a rise in the commodity rate amounting to 52.7 percent. The expansion of the commodity economy in the rural areas urgently necessitates a broad, diverse market "as boundless as the fish in the sea and the birds in the sky," a system of circulation channels that "open up all sorts of links

between town and countryside," forms of management that are "responsive and diverse," price controls that "reflect the market," an "exchange of equal values," and so on. That is to say, in order to develop the commodity economy in the rural areas, it is necessary to make further use of regulation by the market mechanism.

Second, it is necessary in order to make the people's lives more satisfactory. With the expansion of production, the broad masses of the people are enjoying increasingly high levels of consumption. Apart from the provision of varied, high quality, and fresh nonstaple foods, consumers demand the provision of good, convenient, time- and energy-saving service. Most non-essential foods are fresh, perishable, and unsuitable for storage. Such products require transportation to the market at maximum possible speed. It is therefore necessary to adopt all sorts of market mechanisms to expand the regulation of the market.

Lastly, it is necessary for the reform of the rural commerce system. China's rural commerce system has been formed under historical conditions characterized by a backward commodity economy and a shortage of agricultural and sideline products. Under these conditions, it played an important function. However, that type of system, which involved monopoly purchase and marketing of agricultural goods by state-run commercial and marketing units, is no longer appropriate for the developing rural commodity circulation. The system of state monopoly of purchase and sales eliminates other economic components in the ownership structure. In the circulation system, it splits up circulation according to administrative regions and levels and creates boundaries between town and countryside. In terms of economic management, it causes a buildup of levels and links, in turn causing great waste and a drop in quality. There is a need to reform the rural commerce system and expand regulation by the market mechanism. This would free circulation from the constraints of administrative and regional divisions and the limitations of state, collective and individual management, enabling agricultural and sideline products to circulate freely in a new circulation system characterized by openness, many channels, few links, and a high degree of efficiency.

Expanding regulation by the market mechanism in the rural areas means making more use of the law of value and economic levers to regulate the rural economy. To this end it is necessary to do the following: reduce the scope of mandatory plans, for example, by eliminating the system of monopoly purchase of agricultural and sideline products; expand the scope of guiding plans, for example, by only giving out guiding plans on production, signing contracts for the purchase of agricultural commodities, and so on. Reducing the scope of regulation through plans means an expansion in the scope of regulation by the market mechanism. In the sphere of the rural microeconomy, this means giving further play to the function of regulation by market mechanisms such as price, credit, interest, and competition. For example, allowing price fluctuations in agricultural and sideline products according to quality, season, and region, so that the peasants and rural enterprises can carry out production according to the needs of the market.

What must be stressed is that the expansion of regulation by market mechanism in the rural areas must be carried out under the guidance of state plans. As everyone knows, the development of commodity production, the general use of the law of value, and expansion of market regulation are bound to give rise to a certain amount of blindness. Just as was pointed out in the "Decision of the CPC Central Committee Concerning the Reform of the Economic System": "The development of even a socialist commodity economy will give rise to some sort of blindness, and thus there is a need for planned guidance, regulation, and management, which in turn is possible under a socialist system."

Generally speaking, as independent, autonomously managing commodity producers, peasants and rural enterprises are highly dispersed and lack up-to-date information. They cannot take full account of the overall state of the rural and national economy, so that they often make economic decisions and take economic actions that go against macroeconomic goals, thereby causing losses to their own economic results and affecting social results. In addition, following the opening up of the credit system, some situations out of line with macroeconomic goals may arise. In order to avoid and minimize this sort of blindness, guidance and control of state plans is necessary to guide the peasants and rural enterprises toward keeping their economic activities in line with macroeconomic goals, uniting the short-term and long-term interest of both state and peasants, and overall interests with partial interests, and thereby ensuring the concerted and smooth development of the rural economy.

This combined regulation by state plans and market mechanism differs both from the traditional planning control, which eliminated the law of value and regulation by market mechanism and from market regulation, which was exerted entirely by the law of value and market mechanisms. This is a lively regulation mechanism that makes conscious use of the law of value and economic levers and is therefore able both to improve microeconomic results in the rural economy and maintain balance in the macroeconomic sphere of the rural economy, thus achieving a situation in which the economy is lively but not chaotic, controlled but not stagnant.

/6091
CSO: 4004/23

WHY DO WE SAY THAT STATE COMMERCE PARTICIPATION IN REGULATION BY THE MARKET MECHANISM IS AN IMPORTANT FEATURE OF PLANNED COMMODITY ECONOMY?

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 44-45

[Article by Wang Dianwu [3769 0368 2976]]

[Text] China has a planned commodity economy. Its characteristics may be analyzed from a number of angles. From the point of view of commodity circulation, one of its important characteristics is that state commerce participates actively in regulation by the market mechanism. Why is this so?

First, the basic essence of a planned commodity economy dictates that state commerce must actively participate in regulation by the market mechanism. This is because state commerce is an important component part of the planned commodity economy, and the mainstay of planned commodity circulation. Whether it actively participates in regulation by the market mechanism constitutes an important condition for whether the planned commodity economy is able to form a complete entity, that is, whether production, exchange, and all other spheres are able to function normally with the state economy as the main entity. In itself, the planned commodity economy requires the service of planned commodity exchange. If a large number of state enterprises act as the main force only in the sphere of production, while in the sphere of commodity circulation either there is no state commerce or it exists but it does not participate actively in market regulation, then a genuine and complete planned commodity economy cannot be formed. Moreover, if all enterprises appear on the market as mutually independent producers and managers, and their economic relations are manifested mainly through commodity exchange, it is difficult to avoid blindness. If state commerce does not actively participate in regulation by market mechanism, blind market development may form a massive conflicting or even destructive force in the planned commodity economy.

Second, the active participation of state commerce in market regulation is an important guarantee for the maintenance of the combination of socialist orientation with planned regulation in China's market regulation. The introduction of market regulation into our economy constitutes a breakthrough reform. Over the past few years, the scope of regulation by market mechanism has constantly broadened, there has been a massive reduction in those industrial products allocated and transferred by the state, and agricultural and sideline products are now basically subject to regulation

by market mechanism under the guidance of state plans. All of this has played an important role in enlivening the economy. However, it must be pointed out that regulation by market mechanism in China is carried out under the guidance of socialist plans; it is not blind. Of course, market regulation is subject to the law of value, the law of demand and supply, and so on, which play an active part in economic vitality. However, these things inevitably produce side effects and even problems, such as cutting corners, falsifying poor quality goods as high quality goods, putting up prices unreasonably, speculation and profiteering, and so on. Therefore, if state commerce actively participates in market regulation, a whole series of management methods and new commercial practices, such as adjusting supply to demand, handling commodities, selling genuine goods at a fair price, and giving value for money, will become the main current in the market. This will be beneficial to the influence of the state economic plans in the sphere of circulation, and will both bring into play the active role of market regulation, and prevent and minimize its side effects.

Third, the active participation of state commerce in market regulation constitutes the concrete manifestation of its role as the guiding force in China's commodity circulation. During the early years of the PRC, different economic components coexisted in the commercial sphere, but though state commerce did not make up a large proportion of the market, it still acted as a guiding force in the market of the time, stabilizing market prices and gradually bringing a blind market onto the socialist path, and making important contributions to ensuring the basic needs of the people's lives and the smooth progress of the First 5-Year Plan. Good and bad lessons over the last 30 or so years have proved that the existence of state commerce and its active participation in market regulation is an important indication of its guiding role, and an important force in maintaining the stability and prosperity of the market. Since the 3d Plenary Session of the 11th CPC Central Committee, the CPC Central Committee and the State Council have consistently upheld the principle of the coexistence of different economic forms in the commodity circulation sphere, and have pointed out that it is necessary to maintain the dominance of state commerce. Over the last few years, collective commerce, and individual commerce in particular, have seen great expansion, and in some sectors, numbers of enterprises and personnel exceed those in state commerce. From now on, this situation will continue to develop, while some state commercial enterprises will become collective enterprises. This long-term coexistence and simultaneous development of different types of economic unit is dictated by the actual conditions in China, and is one of the important parts of the construction of socialist commodity circulation with Chinese characteristics. Therefore, it will clearly be increasingly important for state commerce to play a guiding role, to actively participate in regulation by the market mechanism, to set an example for the other economic forms in commerce, to encourage them to serve socialist construction, and to suppress unhealthy and unlawful practices.

/6091
CSO: 4004/23

WHY IS IT NECESSARY IN THE MANAGEMENT OF ENTERPRISES TO MOVE TOWARD MAINLY USING INDIRECT CONTROLS?

Beijing RED FLAG in Chinese No 22, 16 Nov 85 pp 46-47

[Article by Yi Jie [0001 0094]]

[Text] In our nation's original economic structure, the management of enterprises was mainly carried out through direct controls (that is, the handing down of mandatory plans and administrative orders). In general, this form is beneficial to the centralizing of labor, materials and financial strengths for investment in key projects, and in the building of our nation's independent, fairly complete industrial system and the national economy. This played a definite historical role. At the same time, it brought with it problems which grew more serious with time, and these resulted in it not according with the objective demands of the development of the planned commodity economy. Since the 3d Plenary Session of the 11th CPC Central Committee, through the few years of reform, our nation's economic movement mechanisms have seen a series of thoroughgoing changes. The autonomy of enterprises has been expanded, their vitality has been strengthened and they have developed horizontal economic relationships. Social and economic life have daily become more diverse and more complicated and it has become increasingly difficult to exercise macroeconomic control. In response to the development of such a situation, the proposal on the Seventh 5-Year Plan formulated by the party Central Committee has in a timely way put forward the idea that enterprise management gradually change from mainly relying on direct control to mainly relying on indirect control.

What is referred to as indirect control is the use of economic, legal and administrative measures to control and regulate economic movement under the guidance of state macroeconomic plans. As compared to direct control it has the following characteristics and advantages:

1. Indirect control is not aimed at individual enterprises and the making of specific arrangements for their economic activities. Rather, it is aimed at the whole society and through the use of plans, policies, and laws, it guides and regulates the direction of economic development. Thus, its role is much more wide-ranging. Indirect planning requires the formulation of comprehensive financial and credit plans, comprehensive investment plans,

comprehensive foreign exchange income and expenditure plans as well as financial, banking, investment, income allocation, foreign trade, and foreign exchange policies. Through these, it will be possible to manage and adjust overall social supply and overall demand so as to maintain an overall basic balance between the two. This will provide a quite relaxed market environment which will thereby stabilize the value of the renminbi and create conditions for the normal operations of enterprises and the healthy development of the national economy. Only when there is a basic balance between total social supply and demand, or when supply slightly exceeds demand can beneficial competition between enterprises be promoted. Only thus will the enterprises feel any market pressure and, in one hundred and one ways, raise product quality, reduce consumption in producing products, continually adopt new technologies, develop new products and more fully satisfy the demands of people in their lives.

Indirect control, in the regulation of enterprises' activities, is not realized through the direct handing down of mandatory planned targets, but through comprehensively and harmoniously utilizing various economic and legal measures to form a network of interlocking policies and laws. This will place the production and operation activities of all economic units in a common, controlled environment, where they will be subject to different degrees of control and adjustment. As compared to the former situation where social products and social funds were mechanically divided into the two areas of "within the plans" and "outside the plans," where planned management was too detailed and too tight and where anything outside the plans could not be carried out for lack of strength, this type of control is doubtless more beneficial to improving and strengthening state macroeconomic management.

2. Indirect control achieves its goal of regulating the direction of enterprise decisionmaking through the use of economic levers and adjusting allocation relationships. With the precondition of closely linking up its economic interests with operational results, an enterprise responds very sensitively to the regulatory economic levers. The state is thus able to flexibly use pricing, tax, credit, and subsidy measures to guide the enterprises' decisionmaking in terms of its production operations and investment, and bring it onto the track of the state's industrial, technological, and regional development policies. Thus, the aims of promoting technological development, improving the production structure and rationally using resources will be realized. As compared to direct controls, indirect control forms have greater elasticity and allow enterprises autonomy in their responses. On the one hand, this will be beneficial to improving the state's macroeconomic regulatory capabilities and, on the other hand, does not fetter the enterprises' subjective initiative.

3. Indirect control is a type of dynamic feedback regulation and is better able to accord with the complex, ever-changing demands of modern economic life. For various reasons, in the course of economic development, it is difficult to avoid divergences from planned targets and the occurrence of various fluctuations. The former static, fairly ossified direct control forms were unable to deal with such situations and often ended up in a

passive situation. However, based on large amounts of information, indirect controls are able to regulate, in an appropriate way, various economic measures, and in a timely way rectify enterprises' activities and economic actions, and guarantee that state plans and policy goals are realized.

Of course, the transition from mainly using direct controls to mainly using indirect controls cannot be achieved in one step. It requires the creation of many conditions, such as the establishment of information networks, the perfection of market systems, the raising of the quality of cadres involved in economic control, and so on. Before these conditions have been achieved, while the state's indirect control capacities are still weak, if we reduce direct controls too early or excessively, we will find that we have "empty shelves" as far as management methods are concerned. This would be disadvantageous to the overall situation of national economic development. Thus, we must fit together and join up reduction in the scope, scale, and pace of direct control of microeconomic activities with the strengthening of the state's indirect control capabilities. In this way we will be able to make the transition, in a stable manner, from the current system to a socialist economic system which has Chinese characteristics and which is brimming with vigor and vitality.

/6091
CSO: 4004/22

SPIRITUAL PRODUCTS SHOULD BE BENEFICIAL TO THE BUILDING OF SPIRITUAL CIVILIZATION

Beijing RED FLAG in Chinese No 22, 16 Nov 85 p 47

[Article by Jiao Xuedai [3542 7185 1486]; reprinted from SHIJIAN [PRACTICE] No 15, 1985]

[Text] Authors are engineers of the human soul. In a certain sense, the producer of any spiritual product is also an engineer of the soul. This lofty name primarily signifies that the producer of the spiritual product bears an important responsibility toward society and the spiritual lives of the people. To build socialism, you must build a high degree of material civilization, but at the same time a high degree of socialist spiritual civilization. This in turn requires us consciously to make sure our spiritual civilization.

Ours is a socialist society. Our spiritual products cannot go against the principles and demands of socialism, nor the basic orientation of socialism. Though many spiritual products, like newspapers, books, cassette and video tapes, are circulated as commodities, they are a special sort of commodity. Though they must be cost effective, and to a certain extent be subject to the regulation of economic laws, the aim of their production and circulation is primarily to satisfy the ever-growing cultural needs of the people, and raise the ideological consciousness of the people, along with their moral and intellectual standards. It is by no means simply to earn money. That our newspapers are currently improving their quality, and expanding circulation and sales on the basis of satisfying needs, is to be welcomed. However, if profit is the sole motive, and quality and significance are neglected, they are grossly mistaken. Some literary journals neglect socialist spiritual civilization, and in the pursuit of expanding circulation and raising profits, publish large quantities of so-called popular things in order to satisfy the appetites of readers. According to statistics, the majority of readers of this type of magazine are young students who are more curious than discriminating and young people who loiter about on street corners and lack any spiritual ballast. What they need is improvement of their cultural quality, level of appreciation and sense of discrimination through the use of healthy, beautiful and colorful works, not things which cater to their unhealthy tastes. Our literary and newspaper workers have a duty to take into account the diversity of readers,

and to satisfy all sections of their readership, but this is a different thing from catering to the low tastes of a minority of people.

All comrades working on the ideological front lines should studiously work on strengthening their sense of responsibility in the production of spiritual products. For a piece of writing to reach the hands of readers, it has to go through the author, editors, printers, and distributors. If an author fails to write the correct material, and in response our editors and printers and distributors make strict checks and fail to give bad material the green light, while our propaganda and culture management departments have the courage to strengthen control, criticize and educate where it is deserved, and punish where it is appropriate, then the market for such products will become increasingly small. Of course, this blocking method is not the fundamental method. With the rise in their material standard of living, the people will have increasingly high demands in their spiritual and cultural lives. Young people in particular have strong spirits and wide interests. Outside work they need even more recreational and sporting activities arranged for them. Only by using healthy, beautiful and varied things to constantly satisfy the needs of the masses can we avoid corruption from capitalist and feudal thinking in our magazines. This is a long-term task and one which should be worked at unceasingly.

/6091
CSO: 4004/23

A CALL FOR ABUNDANCE AND CIVILIZATION--READING 'A RECORD OF SANGSHUPING'

Beijing RED FLAG in Chinese No 22, 16 Nov 85 p 48

[Article by Qi Liwu [4847 4539 0710]]

[Text] The magazine ZHONGSHAN [6988 1472] No 3, 1985, printed a mid-length story by the young author Zhu Xiaoping [2612 1420 1627] entitled "A Record of Sangshuping." Through the memories of an intellectual youth sent down to the countryside, the story describes the realities of the lonely, desolate life in a mid-northeast village during the 10 years of turmoil, and paints a vivid picture of the complexities of character of the peasants of Sangshuping.

The Sangshuping Production Brigade is a small village composed mainly of the Li clan. Poverty hangs like a knife over the villagers. The power of old customs continues to influence their lives. And the turmoil of the "Cultural Revolution" era increases the burden on their lives.

During the years of turmoil, the peasants living in this poor Dongbei village "stared anxiously at the earth, concerned for their crops. The protagonist of the novel, the leader of the Sangshuping Production Brigade, Li Jindou, expresses his unique character right from the start: When, in the little eating house, he cleverly does the intellectual youth out of 70 cents, the youth, who is the first-person narrator of the "Record," thinks he is a "beggar," and only later does he realize that the man is a farmer who "knows everything about the lives of all the farmers" and is respected by all of them. He works with the villagers for years, and looks forward to the day when they will eat the newly harvested grain, but with one word the work group which assesses production sets the quota of grain they have to hand over to the state far too high, and thus takes away their whole year's supply. The barren, yellow earth, and the life of hardship, bring out Li Jindou's complex character; he is at once hard-working and law-abiding, and selfish and cunning. He works for the common good, "never taking even the slightest bit more than his fair share" of grain, but at the same time is selfish, haggling with customers, tricking them over food, and making life very difficult for people from out of town. In this tiny mountain village, in which "you have to work really hard just to make enough food to half fill your stomach," there are objective reasons for Li Jindou's behavior. Only once he has really experienced the hardships of life does the young intellectual come to understand and sympathize with the peasants. At the same time, he also expresses extreme indignation at the

improper behavior produced by these hardships. After his daughter-in-law is widowed, in order to get her to marry his crippled younger son, Li Jindou brutally beats her, driving her to commit suicide by jumping into a well. An outsider, Wang Zhike, suffers abuse and persecution by the Li clan villagers, simply because he is living in a couple of caves belonging to the clan.

Through the model of the character of Li Jindou, the author goes on to ponder the situation and fate of China's peasants. The author is not satisfied with making judgments on the "Cultural Revolution" simply through describing the difficulties faced by the villagers, but instead analyzes their lifestyles from the viewpoints of morals, ethics, and marriage, along with the old concepts and customs which restrict them. The difficulties they experience enable them to unite in common struggle, but at the same time allow feudal influences such as selfishness, narrow-mindedness, and isolationism to creep in. The economic difficulties of China's countryside since the distant past dictate the lifestyles and thinking of the peasants, and give rise to the coexistence of both good and bad habits. The turmoil brought by the "Cultural Revolution" disrupts the order of their lives of pursuit of warmth and food, and gives unhealthy traditional concepts and bad customs a chance to gain ascendancy.

These terrible events are now a thing of the past, and under the guidance of the new policies, there has been some change in the good and backward situation described in the novel. When the narrator looks back on Sangshuping, he immediately thinks of the richness of life in the village and the enthusiasm of its people now. The cheerful, optimistic atmosphere of Sangshuping contrasts vividly with the dark, cold reminiscences of the narrator. With the introduction of the production responsibility system, Li Jindou directs all his intelligence toward the road to prosperity through tree planting. A peasant like him "struggled for most of his life for a little profit. Now, when he sees a path to prosperity, he has the courage to try it." The success of this novel lies in the fact that it makes clear in a credible manner the necessity of rural reform, and the fact that the only way to change the state of poverty and hardship is to mobilize the initiative of the peasants and to expand production. At the same time, the novel reminds people that old customs and concepts by no means disappear at once with the elimination of poverty; they continue to hinder the expansion of production and corrupt people's spirits, and only by becoming clear about their historical roots and grasping their essence is it possible thoroughly to eliminate them. The gratifying current situation of China's peasants' gradually getting rid of economic difficulties fills us with hope for the renewal of peasants' thinking and the improvement of their spiritual environment.

/6091
CSO: 4004/23

A GOOD BOOK PUBLICIZING THE THEORY OF PARTY BUILDING

Beijing RED FLAG in Chinese No 22, 16 Nov 85 inside back cover

[Article by Zhang Hanru [1728 3352 1172]]

[Text] Since the book "Studying the Marxist Classic Authors on Party Work Style and World Outlook," which was compiled by Zhao Wenlu [6392 2429 4389] and He Huibang [6320 1920 6721], was published by Nankai University in May this year, it has been warmly received by readers. This book concerns itself closely with party work style at present and the ideological situation of party members. It systematically expounds on the basic theoretical systems of Marxism-Leninism and Mao Zedong Thought in respect of party work style and world outlook. Also, by using international proletarian political parties as reference, it provides lessons through experience in respect of the building of party ideology and of party work style. It also provides lessons through experience in respect of previous CPC party and work style rectifications, and analyzes the contents, nature, dangers, and sources of the unhealthy work styles in our nation at present. It is a book for popular consumption and it combines party building theory with philosophical theory and party work style with party world outlook. It can be used as supplementary material in party rectification study.

The question of the relationship between party work style and world outlook is a basic and practical question in Marxist party building theory. It is also an important part of party building. Formerly, very few people in our nation's theoretical circles studied this question. The authors of this work have firmly adhered to the principle of linking theory with practice and have carried out specialized research on this question and provided a systematic explanation. This is of great significance. The key argument in the book is that the world outlook determines party work style. Party work style is an external manifestation of the world outlook, and thus the question of party work style is in essence a question of world outlook. The sum total of fine work styles of a proletarian political party is an external manifestation of the Marxist world outlook, while the undesirable work styles within the party are the inevitable reflection of non-Marxist world outlooks. Only by raising the question of party work style to the high level of world outlook can we grasp the essentials of party rectification and strive to achieve a turn for the better in party work style. A proletarian political party can only maintain the purity of its party work style.

by firmly establishing a dialectical materialist and historical materialist world outlook.

The outstanding characteristic of the style of the book is that it does well in closely linking up research and learning with the carrying out of theoretical propaganda. Scholarly research is the basis of theoretical propaganda. Only when theoretical propaganda is linked up with scholarly research will there be thorough understanding and verifiability. This book on the one hand explains basic theory and on the other hand pays attention to closely linking this up with practice. It does this in a way which explains the difficult in simple terms and this makes for ease of understanding.

This book deals with the study and publicizing of the questions of party work style and world outlook, and is intended for popular consumption. Although the depth of contents could be increased and the elaboration of some questions could be a little more precise, it can still truthfully be said that it is a good book which can be used for reference by readers in their study.

/6091

CSO: 4004/22

END